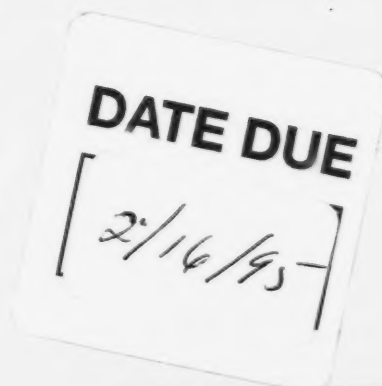




Daily Report

Latin America



FBIS-LAT-95-027
Thursday
9 February 1995

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Daily Report

Latin America

FBIS-LAT-95-027

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Chile Proposes Multinational Force in Conflict Zone

*PY0802145495 Madrid EFE in Spanish 1343 GMT
8 Feb 95*

[FBIS Translated Text] Santiago, 8 Feb (EFE)—Government sources cited by the local media today disclosed that Chile has proposed establishing a peace force of the Rio de Janeiro Protocol guarantor countries in the Condor Mountain Range.

The sources, which chose to remain anonymous, said the proposed multinational force should include contingents from Argentina, Brazil, Chile, and the United States—the countries that guarantee the treaty signed by Ecuador and Peru in 1942, and which have made every possible effort to obtain a cease-fire.

They added that the requirement for implementing this proposal is a cease-fire and the withdrawal of Peruvian troops towards the south and Ecuadorian troops towards the north of the conflict zone in order to create a demilitarized zone, a possibility that still seems remote.

The hopes for a cease-fire soon, expressed in Santiago yesterday by Ecuadoran President Sixto Duran-Ballen and in Geneva by Peruvian Justice Minister Fernando Vega Santa-Gadea, were hindered after Peru rejected the changes by Ecuador to the guarantor countries' proposal.

Chilean Government sources stated that the demilitarized zone would be guarded by soldiers and civilians of the guarantor countries, while a process for a definite peaceful agreement is under way.

The possibility of other countries cooperating in this initiative was not dismissed after it was learned that Uruguay offered 200 military men to form part of this multinational force.

The Chilean Government believes it is necessary to establish a cease-fire and fully recover the image of peace the continent had until late 1994 when it suffered a first impact, in the economic field, of the Mexican crisis.

The Mexican crisis and the conflict between Ecuador and Peru, in Chile's opinion, may upset the image of a safe zone for investors at a time when the main interest of Latin American countries is to offer promising markets for commercial agreements.

Chile Denies Proposing Plan

*PY0802201695 Santiago Television Nacional de Chile
Imagen Internacional in Spanish 1700 GMT 8 Feb 95*

[FBIS Translated Text] The Chilean Government has denied that Chile proposed sending multinational forces to the Peruvian-Ecuadoran conflict area. It did not reject, however, the possibility that observers from guarantor countries may travel to the area once a cease-fire is achieved.

Press reports published in Santiago today stated that Chile reportedly proposed the sending of a multinational force by the guarantor countries to the Peruvian-Ecuadoran conflict area.

In La Moneda, Government Secretary General Jose Joaquin Brunner denied that Chile had made a specific proposal in this regard. He added that the sending of multinational forces depends on the agreement formula achieved by Peru and Ecuador.

[Begin Brunner recording] We must first achieve an agreement. Once this is done, each of the countries will fulfill its duty to ensure the terms established in the agreement. [end recording]

Moreover, Acting Foreign Minister Francisco Fernandez said at the Foreign Ministry building that the issue of sending either military or civilian observers has indeed been discussed. He added, however, that what is important right now is to achieve a cease-fire. He said that despite the Peruvian rejection of an Ecuadoran proposal, there is still a basis for negotiations.

[Begin Fernandez recording, in progress] ...last weekend, there was a text that was to be submitted to the respective governments, because it had to be approved by a higher authority.

Ecuador has proposed some amendments to this text. According to press reports, Peru has rejected these amendments. We believe, however, that neither of them have abandoned the negotiating table. This means that there is still a basis for negotiations. [end recording]

Both Brunner and Fernandez described as fictitious and even ridiculous some Argentine press reports stating that General Pinochet was the instigator of the Ecuadoran-Peruvian conflict.

Guarantor Countries Resume Talks in Brasilia

*PY0802215395 Madrid EFE in Spanish 2112 GMT
8 Feb 95*

[FBIS Translated Text] Brasilia, 8 Feb (EFE)—Brazilian Vice Minister Sebastiao do Rego Barros and the ambassadors from Argentina, Chile, and the United States resumed today at 2000 GMT a new round of negotiations to seek a peaceful solution to the armed conflict between Ecuador and Peru.

Brazilian Foreign Ministry sources have informed EFE that the Ecuadoran and Peruvian Government representatives may also join the meeting.

According to the same sources, Ecuadoran Vice Foreign Minister Marcelo Fernandez and Peruvian Vice Foreign Minister Eduardo Ponce will reportedly attend a second session. During this meeting, the negotiators will seek to achieve rapprochement on the difficult issues that have impeded the signing of a cease-fire agreement.

Today, Fernandez and Ponce spent the morning holding separate meetings with ambassadors from the guarantor countries. They tried to explain to them their positions on the solution proposals under study that seek to end the armed conflict, which has already lasted 14 days.

On 7 February Ecuador submitted to the guarantor countries a formal proposal encompassing amendments to be introduced to the proposed agreement that was drafted in Rio de Janeiro last week, and which at the time had been accepted in full by the Peruvians.

Ecuadoran-Peruvian Talks To Resume 9 Feb

*PY0902001495 Madrid EFE in Spanish 2321 GMT
8 Feb 95*

[FBIS Translated Excerpt] Brasilia, 8 Feb (EFE)—According to Peruvian Deputy Foreign Minister Eduardo Ponce, Ecuadoran-Peruvian negotiations with the mediation of the guarantor countries will again be conducted at the same level they had on 5 February in Rio de Janeiro.

At the end of a meeting that the guarantor countries held with the Ecuadoran and Peruvian Government representatives, Ponce said that "high-ranking Chilean and Argentine Foreign Ministry officials are arriving tonight or tomorrow in Brasilia."

Brazilian Foreign Ministry sources stated that the meeting will resume on 9 February at 1800 local time (2100 GMT). This meeting will be attended by "top-ranking diplomatic officials." It seems it will again be held at the deputy foreign minister level. [passage omitted]

Peruvian Deputy Foreign Minister Ponce confirmed that he had talked with his Ecuadoran colleague. He stressed that "we have always talked. We have never stopped talking."

He asserted that the idea of resuming negotiations with high-ranking Argentine and Chilean Foreign Ministry officials "was a spontaneous decision."

Representatives from the guarantor countries (Argentina, Brazil, Chile and the United States) were the first to hold a meeting today at 1800 local time (2100 GMT). The Brazilian, Peruvian and Ecuadoran deputy foreign ministers joined the meeting 90 minutes later.

According to Peruvian sources, the Ecuadoran and Peruvian deputy foreign ministers held today a bilateral meeting. From what is known, this is the first time such a meeting has taken place since the start of direct negotiations in Rio de Janeiro one week ago. [passage omitted]

Chile's Frei Encourages Dialogue Between Ecuador, Peru

*PY0902020695 Madrid EFE in Spanish 0103 GMT
9 Feb 95*

[FBIS Translated Text] Santiago, 8 Feb (EFE)—The telephone conversations that Chilean President Eduardo

Frei held today with his Ecuadoran and Peruvian counterparts, Sixto Duran-Ballen and Alberto Fujimori respectively, have encouraged the resumption of the dialogue between those two countries and the guarantor nations of the Protocol of Rio de Janeiro of 1942.

This information was released during a news conference by acting Chilean Foreign Minister Mariano Fernandez, who explained that even though the resumption of negotiations in Brasilia was not an initiative of President Frei, the Chilean president's efforts have been "stimulating and encouraging."

Fernandez announced that Fabio Vio, the Chilean ambassador designated for the conversations, left today for Brazil. Vio is the acting Chilean foreign under secretary.

Fernandez said that in this second phase, which will be a continuation of the six-day meeting held in Rio de Janeiro last week, the conversations will deal with a document that was discussed during the first meeting, which "will serve as the foundation for this new dialogue."

In his opinion the Rio de Janeiro meeting—which ended on 5 February—cannot be considered a "failure." He said this definition had been made by journalists.

Fernandez said that from a methodological viewpoint, the negotiations have three main topics: the cease-fire, the separation of forces, and the guarantee that the cease-fire will be respected.

Fernandez reported that for the last topic of the negotiations, one of the alternatives that has been considered is the presence of observers, "to which we added no adjective," that is, it has not yet been said whether they will be military or civilian observers.

He admitted that all the countries of the region are deeply concerned about the extension of this conflict, which "is relatively isolated—not an open war, but a daily bleeding for the two countries—and we are therefore trying to find a solution in the shortest possible time."

He added that no deadlines have been set for the dialogue that has been resumed in Brasilia, emphasizing that Chile views this situation "with moderate optimism."

Concerning the methods for reaching an accord, he said that if an agreement is reached to separate the military forces, "it does not mean prejudging border rights. We are not saying that retreat by whichever side means recognizing the other side's territory."

Cuba

Foreign Ministry Denies Peru-Ecuador Conflict Involvement

FL0902005695 Havana Radio Rebelde Network in Spanish 0000 GMT 9 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Just moments ago, the Cuban Foreign Ministry provided the Exclusive program with the following statement:

Carlos Alberto Montaner, counterrevolutionary and agent for the Central Intelligence Agency, has published an article in the Miami newspaper, EL NUEVO HERALD, in which he falsely and perversely tries to implicate Cuba in the grave, serious, dire military conflict between our two brother nations, Ecuador and Peru. EL NUEVO HERALD also features an analysis of the conflict by Peruvian Alvaro Vargas Llosa, who also clearly tries to implicate Cuba.

The Cuban Foreign Ministry completely rejects every aspect of these false, insidious statements and reiterates that at all times our position has been and continues to be to promote a peaceful solution as expeditiously as possible between the two countries. This would be in the best interests of our peoples. Currently, these interests are to advance true integration of Latin America and to obtain a lasting peace in the region. The statement from the Foreign Ministry adds that only those who serve other interests would be capable of otherwise speculating about these objectives.

Expert Foresees Improved U.S. Relations

PA0902045195 Havana PRENSA LATINA in Spanish 0920 GMT 4 Feb 95

["Exclusive" article by Ulises Canales: "Cuba-United States, Imminent Normalization of Relations?"]

[FBIS Translated Text] Havana—Considered by many to be irreconcilable neighbors, Cuba and the United States could be headed in a relatively short time toward a normalization of their deteriorated relations, judging from estimates by experts on the topic.

Wayne Smith, a professor at Johns Hopkins University, says the two nations will renew ties in two years, while Esteban Morales, director of the University of Havana's Center for U.S. Studies [Centro de Estudios Sobre Estados Unidos—CESEU], refrains from setting a date but predicts a climate favorable to that objective.

Both analyses are based on increasing demand within U.S. society for a resumption of relations with Cuba, which cooled following the 1959 revolutionary victory but were formally broken by Washington on 3 January 1961.

That trend, both researchers concur, responds to the interests of diverse sectors, either because they support a

lessening of tensions in the hemisphere, they have commercial interests or some level of identification with the Cuban revolution, or for some other reasons.

Smith, former chief of the U.S. Interests Section (Sina) in Havana, has just participated here in an international workshop entitled "Cuba in U.S. Policy." When questioned by PRENSA LATINA about what at first glance may seem to be hasty optimism, he responded:

- The U.S. policy toward Cuba is totally obsolete and illogical. In my view, it has maybe two more years of life because we now have a Congress controlled by Republicans and a White House controlled by Democrats.

According to Smith, that situation will bring about a two-year "impasse" during which there will be an increase in the number of U.S. businessmen, leaders, and citizens who want to establish ties with the island and who believe it is opportune to deal with Cuba as is already being done with China, Vietnam, and Democratic Korea, former "enemies".

"We do not have any support for this policy in the international community. The United States must adjust its attitudes, its policy toward Cuba, exactly like Cuba must adjust its domestic structure to the changing world," he stressed.

The greater of the Antilles, the prominent intellectual added, is undertaking reforms, rebuilding its model of society, and trying to make the necessary adjustments after the collapse of the Soviet Union (date of the end of the so-called Cold War), but the United States is not doing the same.

Using the commercial sphere to illustrate his forecasts, Smith considered that the Cuban market, unlike the Chinese, is not extremely important or "irresistible" to the United States. "If it were, there would be no embargo." Nevertheless, it is not insignificant, and that is why interest has been awakened among businessmen.

"We estimate that a few years after the blockade is lifted, annual trade could amount to \$7 billion, and that is not insignificant."

To this, he said, is added the growing number of businessmen who say they are tired of seeing their French, British, Canadian, Spanish, and other competitors getting all the action in Cuba when they also want to participate. That is why they pressure the government to adopt a more appropriate attitude toward the island.

With comments centered more on the political debate inside and outside Congress and the White House, the director of Havana University's CESEU believes that although the U.S. Administration's aggression against Cuba basically continues, a very interesting phenomenon is occurring.

Morales observed that in recent times, especially the last year, there has been greater interest and concern about bilateral relations, a consequence, he said, of three essential factors.

First, he said, after 36 years of a policy with very little change and much hostility, it seems that in the United States there is more serious thought about the need to reverse this entire situation.

The gradual change of mentality, which the researcher gave as a second factor, is due to the fact that the White House's current aggressive policy is not in line with the allegedly more global interests of modern international relations.

It is also not consistent with its declared objective of rebuilding its relations with Latin America and the Caribbean, he added.

A third element, which is considered extremely important by politicians and analysts of diverse nationalities, is that contrary to former President George Bush's prediction some years ago that "the Cuban revolution hasn't got much time left," it continues and has shown its ability to resist.

The ability of the Havana government to find new openings in international economic relations in recent years, particularly in the second half of 1994, was important in initiating the search for a solution to the current economic crisis.

"This last factor," Morales explained, "is basic, because the change of focus in U.S. policy toward Cuba that came about in the late 1980's and the early 1990's resulted from looking a little closer into Cuban society, which gives the island's internal situation a most important role."

In Morales' opinion, it has proven that U.S. policy needs to change and that the internal factors of that country play a crucial role in that change. Nonetheless, he thinks that Cuba's current situation "is not at all hopeless [despreciable]," as it is capable of adjusting to the actions of groups inclined to rapprochement.

For me, he pointed out, there is a key aspect in the process we are seeing in U.S. domestic policy to modify relations between the two countries, and it has a great deal to do with the internal Cuban situation and the capacity for survival that the revolution has shown.

"As the Cuban internal process continues, it manages to find a solution to the economic crisis and shows irreversible opportunities for survival in the face of the events that today pose challenges to its development. In that same way, it will have an important impact in that the positive aspects of the search for new relations with Cuba will move more strongly in the United States."

Asked about the possibility that the new 104th U.S. Congress, with a Republican majority but with an executive branch led by Democrats, will represent an impasse or setback on the path toward normalization of relations with Cuba, Morales said:

There is always that possibility, but there are indications that Congress, for the first time, is playing a more active

role to that effect. I do not think a Republican majority will necessarily eliminate that possibility.

According to the professor, the Cuban-U.S. problem is ceasing to be an issue reserved exclusively for those sectors and groups of U.S. society historically interested in policy toward the island. New elements are beginning to enter the game and make the issue more dynamic.

These groups, he pointed out, can turn it into a problem with broader discussion among the people, release it from its status as a longtime debate within the State of Florida and give it certain independence with respect to those who are members of the administration and the legislative body.

According to Esteban Morales, it is interesting and encouraging that the problem of relations between the two nations is spreading and becoming "a little more" generalized in the United States. Thus it gains a relative independence from the administration's special policy or the specific composition of Congress.

Delegation Influences World Social Summit Action Plan

FL0902115695 Havana Radio Rebelde Network in Spanish 1800 GMT 8 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] The Cuban delegation, which participated in New York in the final preparatory meeting for the World Social Development Summit, was able to insert in the draft of the action plan a paragraph implicitly linked to the U.S. blockade of Cuba. The additional text seeks to prevent the approval of unilateral measures blocking commercial relations between states, impeding full social and economic development, or being detrimental to the population of the countries subjected to such unilateral measures.

UK Official Meets With Ricardo Alarcon

FL0802154195 Havana Radio Rebelde Network in Spanish 0000 GMT 8 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] During her next-to-last day in Cuba, Baroness Young met with Ricardo Alarcon, president of the National Assembly of the People's Government. During the meeting, Young reiterated the importance of... [pauses] that the delegation held with Fidel, and expressed her gratitude for the hospitality her delegation, consisting of 40 British businessmen, had received. Young emphasized that advances had been made during the meetings to date and that she was very happy with the results. Alarcon stated that the delegation's visit was another step toward strengthening bilateral relations and added that Young had been a crucial element in the development of relations between the Cuban and British parliaments.

This afternoon, the British delegation also met Tourism Minister Osmany Cienfuegos and visited a farmers market in San Antonio de los Baños Municipality, in Havana Province. On 8 February, before leaving Cuba, Young will hold a news conference at the International Press Center.

Meets With Castro

FL0902031495 Havana Radio Rebelde Network in Spanish 1800 GMT 8 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] In a brief conversation with reporters on 7 February during a visit to the British Embassy in Havana, Commander in Chief Fidel Castro described relations between Britain and Cuba as excellent. Castro was at the Embassy to attend a reception hosted by Ambassador (Philip MacLean) for Baroness Mary Janet Young who was on an official visit to Cuba. Castro stressed the importance to Cuba of the United Kingdom's growing interest in promoting commercial and economic relations with Havana, and praised UK technological developments.

Commander in Chief Fidel Castro also stated that the recent investment protection accord signed by London and Havana will contribute to developing the current economic ties and referred to the range of issues discussed with Baroness Young on the possibilities of British investments in Cuba and UK economic development. Carlos Lage, vice president of the Council of State, ministers, and other Cuban figures, as well as members of the British business delegation accompanying Lady Young, were also in attendance.

During a news conference before her departure, Baroness Young announced that the Cuban Foreign Trade Ministry, headed by Ricardo Cabrisas, is leading the group to promote cooperative activities as part of the British Initiative for Cuba. Janet Mary Young listed among the goals of the Initiative for Cuba, which will work jointly with the Cuban Foreign Trade Ministry, the development of activities promoting the growth of British participation in the Cuban economy and solving the issue of Cuba's foreign debt payment to the UK.

[Begin Young recording in English, with passage-by-passage translation into Spanish] The initiative seeks to attain a qualitative and quantitative increase in bilateral exchanges with Cuban commerce, economy, culture, technical cooperation, and other fields, and to further the participation of British companies, particularly in the energy, mining, tourism, and agriculture sectors, and the sugar and pharmaceutical industries. The British Government is contributing 150,000 pounds and we expect that British private industry will contribute a similar amount. We have not yet decided where the money will be spent. It is a brand new initiative, announced only last week, but it will be on the advice of

our ambassador in Havana. We do know that there are a number of small businesses that will benefit from these funds. [end recording]

Baroness Young expressed her belief that British participation in the Cuban economy will increase, adding that the United Kingdom is not alone when it comes to economic cooperation with Cuba because several EU countries currently have commercial accords with Cuba. During her visit, the baroness met with Commander in Chief Fidel Castro, who described relations between Cuba and Britain as excellent.

ANPP Vice President Meets Namibia Prime Minister

FL0902032395 Havana Tele Rebelde and Cuba Vision Networks in Spanish: 0100 GMT 9 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] In Windhoek, Namibia, Jaime Crombet, vice president of Cuba's National Assembly of the People's Government, has met with Prime Minister Hage Geingob. Crombet and Geingob reiterated the will to continue strengthening the excellent bilateral relations.

Ross Addresses CTC Workshop on Foreign Investments

FL0802143595 Havana Radio Rebelde Network in Spanish 0000 GMT 8 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] The increase of foreign investments in Cuba's different economic sectors implies new tasks for the unions, with the foreign investors who participate in the joint economic ventures. Due to this, the Cuban Workers Federation [CTC] is holding a workshop at the CTC's M. Thelman Theater on international economic associations with the participation of union leaders and national organizations who take part in these joint economic enterprises. Pedro Ross Leal, secretary general of the CTC, inaugurated the workshop.

[Begin Ross recording] Currently, there are 176 economic associations with foreign capital—which come from 31 countries—and in the tourist sector there are 35 joint administration-of-hotel contracts. Many times people talk about the hotel belonging to Spaniards [Gallegos]. That hotel is ours and it has that type of administration. In the tourist sector there is the possibility of adding over 250,000 rooms in 7,000 km of coastline, in several thousand keys [cayos] and islets, and in 300 beaches of magnificent quality. In the future, that will enable us to receive 10 or 20 million tourists. [end recording]

This workshop will end next Friday, the 9th [as heard].

ANPP President Alarcon Addresses Education-95 Conference

FL0802233195 Havana Radio Rebelde Network in Spanish 1800 GMT 8 Feb 95

[From the "National Radio News"]

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[FBIS Translated Text] Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, delivered a special address to participants in Education-95. Participative democracy was one of the subjects discussed by Alarcon.

[Begin Alarcon recording] It is a concept which, curiously enough, many pretend to impose as the only conceivable political formula. I say curiously because the concept has been extensively criticized since its beginnings. In reality, there are plenty of researchers, analysts, and thinkers who have always stressed the fictitious nature of that concept. In our country, we strongly believe in a government of the people. We also strongly believe in a government for the people, and by the people—completing Abraham Lincoln's famous phrase. [end recording]

Alarcon stressed that the events that took place five years ago in Eastern Europe made many arrive at the conclusion that so-called new ideas would change the human race. Cuba did not follow suit. We follow a well-known path.

[Begin Alarcon recording] In this country, there are several important things worth fighting for, some important things worth defending at any cost, and their defense, the commitment not to lose what we have accomplished, through the efforts of everyone, with everyone's participation throughout these years, is in the end the clearer, deeper materialization of the true democratic will of our people. [end recording]

Discusses 'Representative Democracy'

FL0902120395 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 9 Feb 95

[From the "NTV" newscast]

[FBIS Translated Excerpt] A special address by Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, opened today's debates at the Education-95 conference. In Alarcon's opinion, the Western trend, which tries to impose so-called representative democracy, is unviable so long as there are social differences that block the peoples' participation in the decision-making process on several continents. Alarcon added that in Cuba, the people are defending the results of their own efforts, which explains their support of the process, even under the circumstances under which we are currently living.

[Begin Alarcon recording] Despite everything, we can prove that in the last few months [words indistinct] begin to appear positive indicators in our economy. These indicators allow us to see how the economic reduction process and the downturn in the materials situation is being halted and, in certain sectors, we have important indications of a recovery. [end recording]

Alarcon pointed out that Cuba's position has an historic origin, which is expressed in Marti's ideology, a legacy that nourishes the people's efforts. [passage omitted]

Cuban Expert Views Building of Nuclear Power Plant

PY0702122295 Madrid EFE in Spanish 2336 GMT 2 Feb 95

[FBIS Translated Text] Havana, 2 Feb (EFE)—The Brazilian company "INEPAR" has been studying the idea of a partnership to continue constructing the first Cuban nuclear power plant (CEN), at Juragua in the southeastern province of Cienfuegos.

Engineer Andres Garcia de la Cruz of the Cuban Science, Technology, and Environment Ministry nuclear agency, told NUCLEUS Magazine that Cuba, as well as Russia, have been working with several European companies on the mentioned feasibility study.

He said: "People in several parts of the world have shown interest in constructing this plant because it is already at a very advanced stage."

The construction of the Cuban nuclear power plant began in 1981. It used Soviet technology and was being conducted under former USSR supervision. Work was interrupted in 1992 for lack of supplies and financing to cover the expensive construction works of the plant.

Garcia de la Cruz said several types of partnership could be established. He explained that it could even involve a corporation that starts the day the contract for concluding the work is signed.

The Cuban expert said the energy to be generated at the nuclear power plant will be purchased through a currency partnership [asociacion en divisas], and that foreign partners would easily recover their capital through the policy Cuba applies to this sort of issue.

He added: "Cuban enterprises will have first option for rendering services or supplying equipment and material for this partnership, as long as they are competitive on the international market."

The Cuban expert said the capital invested in this project can be recovered in a short term if the nuclear power plant is profitable.

He pointed out that the construction work has been suspended, although maintenance on already installed equipment, as well as of the equipment in store, continues.

Hans Blix, International Atomic Energy Agency director general, visited Havana during January. During his stay he visited the plant and deemed the measures for resuming the construction work and for maintaining the facilities "very practical."

The Cuban nuclear power plant, known in Cuba as the "Work of the Century," is 330 km from Havana and some 29 km from Cienfuegos. The design contemplates the installation of four reactors using water pressure technology, of the VVER-318 type. Each reactor has the

capacity of 417 megawatts, which will save 2.4 million tonnes [figure as received] of oil per year.

PCC Founder Castellon Martinez Quits Party

PA0802215395 Mexico City NOTIMEX in Spanish
1954 GMT 7 Feb 95

[FBIS Translated Text] Havana, 7 Feb (NOTIMEX)—Gladys Castellon Martinez, a 73-year-old retired fisheries technician and one of the founders of the Communist Party of Cuba (PCC), today issued a public statement announcing her resignation from that political party. Castellon Martinez, who has a heart ailment, told foreign correspondents that three years ago she became estranged from the PCC. Over the past decade, the party had penalized her with a temporary two-year separation on charges of "ideological weakness." In a letter addressed to the PCC Central Committee, Gladys Castellon said that there is "backwardness in the areas of civil, political, and economic rights" in Cuba.

Castellon Martinez recalled that she cooperated with the guerrillas who led the 1959 revolution in the eastern province of Camaguey. She added that as a Cuban Government representative she served as a fisheries technician in Angola and in Sao Tome and Principe, off the coast of West Africa, during the 1980's.

Haiti

Aristide Delivers Anniversary Address

FL0702210395 Port-au-Prince Radio Nationale in Creole 1545 GMT 7 Feb 95

[Speech by President Jean-Bertrand Aristide on fourth anniversary of his inauguration in Port-au-Prince on 7 Feb; broadcast in progress—live]

[FBIS Translated Text] ...all members of the diplomatic corps, all members of the Electoral Council, all members of political parties, all representatives of grassroots organizations, all members of the media, all of Haiti's youth, all of you Haitians living in the provinces, you who are living in the Tenth Department, and those of you without distinction, on the occasion of 7 February 1995, I am pleased to open my heart and greet you in a *lavalas* manner.

Is today's celebration for all Haitians? Can this celebration bring peace to everyone? Can this celebration bring justice to all? Can this celebration bring reconciliation? Justice and reconciliation at the same time? On 7 February 1991, the light of democracy shone over Haiti. Democracy is incompatible with dictatorship. Do you students know from your studies that dictatorship exists in other countries as well? Does dictatorship exist in other countries? Yes, dictatorship exists in other countries. [passage indistinct] It is better to lack electrical power than to lack democracy. [applause]

A short time ago, nine little angels brought me nine pigeons, nine doves of peace, plus a tenth, which represents Haitians living in the Tenth Department. These doves symbolize democracy bringing peace everywhere. In other countries, when democracy does not exist, peace is difficult. The celebration we are having today is a celebration not only for us Haitians, but for all countries that chose democracy for the sake of peace. That is why we are pleased to see that in Africa, democracy is slowly replacing dictatorship. In Ghana in 1966, a military government spread dictatorship. In Mali in 1968, a military government prevented people from living in peace. In 1986, in Lesoto—still in Africa—dictatorship prevented the people from living democratically. In 1989, 21 of the 51 African countries were governed by the military, so peace and democracy could not blossom. The same goes for America. We are pleased to see the light of democracy and peace slowly spreading throughout almost all of the countries. We are pleased to see how in 1980, after 12 years of dictatorship, democracy penetrated Peru. It is this same light of democracy that reached Argentina in 1983. It is this same light of democracy that in 1985 reached Brazil and Uruguay. The light reached Chile in 1988, and Paraguay in 1989. We were even more pleased when in 1992 we saw that light of democracy reach Bolivia, where for 157 years, according to historians, Bolivia suffered more than 180 coups d'etat. We understand why in our country, in 1991, when democracy occurred, we celebrated, danced, and were happy because hope spread as the sun and peace again began to show themselves. Today, in 1995, we are even happier because we see that the light of democracy and peace have not disappeared. It disappeared for awhile, but due to your heroic resistance, peace reappeared today in 1995. Yes or no? Has it appeared to disappear again? [crowd answers: No] Are we going to hold on to it so it never disappears? [Crowd answers: yes] If peace disappears, will we return to dictatorship? [crowd answers: no] If there is no democracy, will the country not fall into the chaos of dictatorship?

In which year did we get our independence? In which year did we get our independence? [repeats] In 1804. Since 1804, have we been living under dictatorship or democracy? [crowd responds: word indistinct]

Were the dictatorships run with sticks? [crowd answers: Yes]

Weapons that kill people? [crowd responds: Yes]

Arms and Uzis that spread death? [crowd answers: Yes]

Did the presidents who lived at the National Palace have a chance to sleep peacefully in their beds there? [crowd responds: No]

Many of them went into exile because of dictatorships. So that this dialogue we are having goes well, I will name some presidents, and just like when you were in school and the roll was being taken and you had to answer present or absent, instead of answering present or absent,

if you hear the name of an exiled president, you answer, exiled. Do you understand the exercise we are going to undertake? [crowd answers: Yes] I do not feel like making a long speech. I feel like talking with you so the message of peace and democracy will be well understood. The message will go in your ear. Will it leave through your other ear? [crowd answers: No] The message will travel all the way down, to your brain and into your heart and it will travel through your blood. So listen well: Jean-Pierre Boyer, exiled. What does this mean? Who was Jean-Pierre Boyer? A president. Did he go into exile? He went into exile. All the other presidents that I am going to name went into exile. So, for our dialogue to go smoothly, when you hear their names, answer: Exiled, and answer loud. Jean-Pierre Boyer, Riviere Herrard, Faustin Soulouque, Michel Domingue, Boiron Canal, Lysius Salomon, Francois Legitime, Tiresias Simon Sam, Nord Alexis, Antoine Simon, Stenio Vincent, Elie Lescot, Paul Magloire. [crowd responds with shouts of "exiled" after each name is read]

Is it sad or beautiful? [crowd responds: Sad!]

Does that make you happy or sad? [crowd responds: Sad!]

Was that democracy? [crowd responds: No!]

In the countries where there is democracy, after elections are held, the president passes power on to another president. I myself, by next year on this same date, would like to do likewise. [crowd responds: No!]

Should I then go into exile like the other presidents? [crowd responds: No!]

Should I stay in the country? [crowd responds: Yes!]

I will work with you so democracy can blossom, so peace can expand. That is what is called democracy. You young people, I will be with you. I will not abandon you. When there is democracy, there is a ballot for an election in which everyone expresses his choice. We then have what is called political stability. When we won on 7 February 1991, was it our task to establish political stability in Haiti? [crowd responds: Yes!]

In all the countries where democracy exists, peace and political stability must prevail. Political stability is an indispensable condition to progress, development, work, food, and housing.

On 7 February 1991, we put the cooking pot of democracy on three cornerstones here. What are they? Justice, transparency, and participation.

What were those three cornerstones? [Crowd answers: Justice, transparency, and participation]

Are you tired? [Crowd responds: No!] Let us talk.

What were those three cornerstones? [Crowd answers: Justice, transparency, and participation]

What is the name of the cooking pot that sat on those three cornerstones? The cooking pot of demo...? [crowd responds: Democracy].

What is in the cooking pot of democracy? [Crowd's answer indistinct]

Demands! Must the warmth of democracy make the demands boil? [Crowd answers: Yes]

What demands would you like to put in the cooking pot of democracy today? [Crowd's response indistinct]

I am going to mention some for you. If you agree with them, you will repeat them forcefully, to feel... [pauses] you must make them boil in the cooking pot of democracy. Justice. [Crowd answers: Yes]

Security. [Crowd replies: Yes]

Work. [Crowd answers: Yes]

Land reforms. [Crowd responds: Yes]

Article 248 of the Constitution says there must be land reforms. What does land reform mean? [Crowd's answer indistinct] Does that mean: I see a beautiful piece of land, I love it, and have the right to grab it? Does that mean I have every right and can take other people's property? [Crowd answers: No]

Does that mean the lands will be given out, with order, with discipline, and in accordance with the law so everybody can work the land? [Crowd answers: Yes]

So everyone can make the land produce? [Crowd responds: Yes]

While respecting one another's property? [Crowd answers: Yes]

While respecting what does not belong to you? [Crowd replies: Yes]

While respecting everybody's rights? [Crowd answers: Yes]

Still in the same pot of demands, there are, according to Article 32.3 of the Constitution, free schools. Students, would your mothers and fathers like free schools in the country? [Crowd answers: Yes]

Would you also like free schools in the country? [Crowd answers: Yes]

So all children can go to school? [Crowd responds: Yes]

Including both rich and poor? [Crowd answers: Yes]

Children in the country as well as children in cities? [Crowd answers: Yes]

Without distinction? [Crowd responds: Yes]

Does the Constitution require that? [Crowd answers: Yes]

Did we vote so this could happen? [Crowd answers: Yes]

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Must it happen someday? [Crowd replies: Yes]

If you cross your arms and close your eyes, will it happen? [Crowd responds: No]

If we keep the pot of demands boiling, will it happen? [Crowd answers: Yes]

It must happen. Still, in the same pot of demands, we have decided to include human rights—the right of political parties to exist, political parties' right to operate, political parties' right to organize themselves as provided for in the Constitution, people's rights to form peasant organizations, people's organizations, professional organizations, unions, and any organization that facilitates the boiling of demands in the pot. Similarly, we must produce food in this pot and to get food, the pot must not boil on one side only. Has the pot been boiling so far on one side only? [Crowd answers: Yes]

Can it boil evenly on all sides? [Crowd replies: Yes]

If it boils evenly, will everyone be fed? [Crowd answers: Yes]

It must be done, with order, with discipline, with respect for the law, with respect for everybody's rights. With dialogue, with participation, we will manage to make the pot boil so everybody can be nourished. A few minutes ago, a young man spoke on behalf of many young people. He said that those who eat accidentally must manage to eat at least everyday. I would like to add that we must manage to eat enough to have a full stomach everyday. It is not only nice clothes that democracy will bring you. It is not a favor that democracy will do for you. It is an obligation, it is a requirement, and it is possible for us to do that. Similarly in the pot of demands, we find the homeless who are asking for houses so they no longer must live in cardboard boxes, so they no longer must live in the streets, so they are not drenched by the rain and dried by the sun, so when they work in the dust during the day, they can sleep at night. Bravo! Congratulations to all those who show solidarity with the homeless, who respectfully provide them with lodging.

It is so painful when you must lodge at someone's house, you must sleep at someone's house and sometimes be humiliated because they fail to respect you. It is time that democracy succeeds in making us build a Haiti so each Haitian has a small house in which to live, so that each Haitian is happy to be at home, to finally feel he has a home. Congratulations to the people in La Fausette, people from La Savanne, people living in La Saline, those in Bel-Air, Carrefour Feuilles, Cite Soleil, people living in small places where solidarity forces people to sleep in shifts—meaning a group of people sleep and awaken in the middle of the night so that others can take their place. It shows the greatness of our people. It shows how we share the vitamins of solidarity. Bravo! It shows that our ancestors did not die for nothing. It is not for nothing that from 7 February 1986 to 7 February 1991 until today, 1995, there have been great Haitians who died so that those

dreams, those duties, those demands could be realized. Allow me to ask you to remain silent, to bow your head for a moment in memory of all the Haitians who died standing up because they refused to live on their knees, because they knew that if they lived on their knees, there would never be a Haiti that could satisfy those demands. Each of you who has a friend who has died, each of you who remembers a Haitian who died, let us observe a moment of silence in respect for their memory, so we can remember them. [Aristide begins singing: When Haiti is free, it will be beautiful, etc.]

The country is not progressing if I do not hear you singing. Miriam, are you there? Can you help us sing so we can help the country progress toward democracy? Then, you are going to stand up, before I continue, to sing: When Haiti is free, it will be beautiful, in memory of all Haitians who died so Haiti could become beautiful; in memory of all Haitians who died so that democracy could move forward. It is for them, it is with them, with respect for them that we are going to sing with the strong conviction that when Haiti is free, it will be beautiful. Sister Ann, pick up the microphone; Miriam, pick up your microphone and all of us, in memory of all the Haitians who have died so that Haiti could stand up and move forward, let us sing: When Haiti is free, it will be beautiful. Then I will continue. [Singer begins to sing]

Bravo to all of those who died. Applause for all of those who died so Haiti could live: Father Jean-Marie Vincent; Antoine Izmerly; Minister Guy Malary; and all of those we did not name—Fritz Pierre-Louis, etc., etc. Another round of applause in gratitude for them. [applause] Thank you. You may sit down now so I can continue. [applause]

When we look at the pot of demands boiling, we acknowledge that one of the strongest demands of Haitians today is justice. I again give you my guarantee that there will be justice in Haiti. That is why we created 7 February 1991 and that is why on 7 February 1995, I have come to again reassure you that there will be justice in Haiti. Does justice go hand in hand with reconciliation? [Crowd's answer indistinct]

Will there be reconciliation if there is no justice? [Crowd answers: No]

There must be justice so there can be reconciliation. Will we end up with complete security if there is justice and reconciliation? [Crowd answers: Yes]

Yes, we will end up with security. That is another big demand of the Haitian people. That is why today—while encouraging the police corps to continue learning, to prepare itself while we in government prepare to receive many other youths who registered to become part of the police corps but did not make it, to also hold positions in the future so they too can serve their country, defend democracy, usher in justice without vengeance, and have quick reconciliation—we are telling all the police corps and all the youths who want to be part of it to hold out,

to remain steadfast, and that little by little, willy-nilly, no matter what, they will succeed.

That is also why we are encouraging the young Haitians who were in Guantanamo—while thinking of all the Haitians who are still in Guantanamo or who returned to the country, especially those who are experiencing hardships, while trying to show them that we cannot forget their demands—we are telling the youths who are part of the police corps now and who returned from Guantanamo that they do not have to be too shy because the Haitian people will understand them better as they go along and—instead of calling them Little Guanta, Little Guantanamo, to make fun of them, the people will give them strong support; they will embrace them and encourage them so they and the others can feel they are one and the same, doing the same thing to help establish security, together, in the country.

Will you encourage the youths who returned from Guantanamo and who are part of the police corps now? [Crowd answers: Yes]

Will you harass them? [Crowd answer: No]

Will you help them? [Crowd responds: Yes]

So they can provide you with security? [Crowd answers: Yes]

Congratulations to you and congratulations to them. Give them a lot of applause to encourage them. [applause] It is in this same spirit that we encourage all those who will not let insecurity frighten them so much that they give up. I know it is important that one see security before investing one's money in the establishment of more commerce to make progress move faster. But I congratulate all those who are courageous, who are steadfast, and who refuse to bow down before insecurity.

Are you going to give in to insecurity? [crowd answers: no] Are you just crossing your arms while facing insecurity? [crowd answers: no] Are you going to just feel sorry and let insecurity spread out through the country? Are you going to be vigilant? Are you going to be watchful? Are you going to stand together? In all the neighborhoods, the vigilance brigades must keep an open eye, must work together so that you do not let insecurity spread out more than it has so far. In the country's four corners, in the provinces, are you going to work together to be vigilant all day long, and if possible, in turn, all night, until it is all over? In 1986, did not we have vigilance brigades in the country? [crowd answers: yes] When we had those vigilance brigades, did we have great insecurity? [crowd answers: no] You should watch out for yourself. Does a vigilance brigade mean disorder? [crowd answers: no] Does a vigilance brigade mean not to respect the police force? [crowd answers: no] Does a vigilance brigade mean to replace the state? [Crowd answers: no] Does a vigilance brigade mean to disrespect citizens? [crowd answers: no] A vigilance brigade means that we work together in our neighborhood; we give

support to the police force and together with the police force, together with the government, together with the multi-national force, we stand up as a cross in face of insecurity, all the way and everywhere.

Young people, adults, I invite you to show how we are a strong nation; how in order, in discipline, in the respect of every one, we can work together with everyone, whether it is someone from the police force, from the interim police, or someone from Guantanamo, or a business person who is not a police member, or someone from the mountains or from the cities, or a rich or poor person, or someone from the government, or someone who is part of the multi-national force. I invite you all to talk, to work together—one supporting another—so that vigilance stops people who wish to establish more insecurity so that the machine of democracy slows down, that they understand that they are mistaken. And myself, as the president of the country, I am willing, as always, to welcome every one, to listen to every one, to talk with every one in compliance with the principles of the constitution so that we finally have full security. Tell me, am I dreaming? [crowd answers: no] Is it possible? [crowd answers: yes] Can it be done? Can I count on you? [crowd answers: yes] You are not going to misbehave. For sure? [crowd answers: yes] The prime minister, the other ministers, the members of the diplomatic corps, the multi-national force, all of us together we are going to open our eyes so that we can observe and at the same time help you be vigilant so we have more security. If I insist on that, it is because I know how much everyone in the country wants to have more security so that every one lives in peace. That is why we did 7 February 1991. That is why we did 15 October 1994. That is why we are celebrating today—7 February 1995. When people are observing, there is a trap to avoid. If you feel that you have not satisfied all your demands, there is a trap that can make you believe that you have not accomplished anything yet. There is another trap which can make you believe that you have succeeded: when you think you have succeeded, it means that you can be mistaken. It is every day that you progress. If you think that you have not accomplished anything and that you are not worth anything, it is another trap to avoid.

Youths, youths of Haiti, listen to me well. I know you are intelligent. I have come to invite you to live with much intelligence so this intelligence makes you refuse to believe that you have not yet done anything. You have already done very much. You have done much for your country. You can do even more. If there are people who would like to make you believe that you should give in, that you should cross your arms, that you should just wait and see, you who are intelligent, recall to them that if you just wait and see, you will never succeed [le w chita tann, ou tounen pwatann]. Is it while you just wait and see that you will manage to have your demands satisfied? [crowd answers: no] Is it while walking hand in hand that you will have them satisfied? [crowd answers: yes] Is it while walking hand in hand that you will manage to have them satisfied? [crowd answers: yes] Is it while helping

one another that you will manage to have them satisfied?
[crowd answers: yes] That is true.

Before 7 February 1991, we used to say: no move from anywhere [anwo pa desann, anba pa monte, nanmitan rete red] What did we use to say before 7 February 1991? No move from anywhere. [crowd repeats at the same time] I do not hear you. [Crowd: no move from anywhere] That is what we used to say before 7 February 1991. Today, we remember what we experienced after 7 February 1991, do we not remember that we used to say: One country, one flag, one appointment, and the appointment (?place) is around the table. One country, one flag, and the appointment (?place) is around the table. [crowd repeats: one country, one flag, the appointment place is around the table] You look tired. [Crowd answers: no] Are you tired? [Crowd answers: no] Is the sun too hot over your heads? [some in the crowd say no while others say yes] Should I conclude here? [crowd answers: no] May I continue? [crowd answers: yes] Really? Then, help me. One country, one flag, one appointment, and the appointment is around the table. [crowd repeats last sentence] Again. One country, one flag, one appointment, and the appointment place is around the table. [crowd repeats last sentence] In the appointment around the table, you must be intelligent enough to observe how rats set about and to do better than they. Do you want me to tell you what rats set about when they want to drink the democracy syrup? Do you know how rats set about to manage to drink the democracy syrup when they are moving around a bottle of democracy syrup? [crowd answers: no] Do you know how they set about? [crowd answers: no] Can a rat enter its head into the bottle of syrup? [crowd answers: no] The rat takes its tail, puts it into the bottle of syrup, then takes it out, puts it in the mouth of another rat, and, when the other rat finishes sucking, it puts its own tail into the same bottle of syrup, and then puts it in the mouth of the other rat. [applause] Does that mean that rats are intelligent? [crowd answers: yes] Can you—as people—not be more intelligent than rats? [Crowd answers: yes] Do you want me to tell you how rats set about to eat democracy eggs? [Crowd answers: yes] May I tell you? [crowd answers: yes] On top of that, (?the egg I am talking about is the one that returned). [applause] Do you want me to tell you how it sets about? [crowd's answer indistinct] The rat lies on its back under a sun of democracy, takes the egg that returned and puts it on its stomach, crosses its small feet around the egg, tidies itself up, and then lets the other rat put its own teeth in its heart—without biting it—and then pulls it on the back. Then, it freewheels with the egg on his stomach. [applause]

I look at the other side and see the mayor looking at me and remembering also how rats that are stealing democracy eggs freewheel while their tails are in the mufflers [as heard] of other rats, pulling them down. [applause] Are rats intelligent? [crowd answers: yes] Are rats intelligent? [Crowd answers: yes] Can you—the youths—not be more intelligent than rats? [crowd's answer indistinct]

I see the diplomats laughing. This means they understand Creole, they understand how intelligent rats in Haiti are.

Are you ready to guess? [Crowd answers: Yes, we are] While the teacher in a school was speaking, the students were telling the history of rats drinking democracy syrup, stealing democracy eggs. The teacher was a bit angry. The students told him: Teacher, we are relating something really good. The teacher, who was a bit angry, heard the children talking about syrup, lemonade, eggs, and so on. He eventually said: Well, I do not want anybody to talk about democracy syrup, eggs, or lemonade. The children kept talking about lemonade. The teacher was angry. The children kept shouting lemonade, lemonade. Meanwhile, the teacher was upset. He then ordered them to leave the classroom. When the children left the classroom—as they are intelligent, still the same light of intelligence—they planned a plot that we know. When they went back to the classroom, one said: Water. Another one said: Sugar. Another one said: Lemon. Then, the teacher said: I defy you to mix them. [applause] If they were mixed, what would they become? [Crowd answers: lemonade] Do you want a democracy as liquid as water in the style of lemonade [eske Nou vle demokrasi limonad dlololo]? [Crowd answers: No] Do you want tough democracy [demokrasi djanm]? [Crowd answers: Yes] Right democracy? [Crowd answers: Yes] Real democracy? [Crowd answers: Yes] Before 7 February 1991, we used to say: No move from anywhere. [Crowd repeats the sentence along with him] After 7 February 1991, we used to say: One country, one flag, one appointment, and the appointment place is... [Crowd answers: around the table] After 7 February 1995 [year as heard], when we were working toward our return, we used to tell another truth: Days have come; days have gone by; days are going by; days are coming; on that day, ah!... [Crowd's answer indistinct] Good! Does this exclamation mean hope? [Crowd answers: Yes] Has this hope died? [Crowd answers: No] Has this hope vanished? [Crowd answers: No] Is this hope still there? Can it help us reach a long-term democracy [demokrasi manch long]? [Crowd answers: Yes] A short-term democracy [demokrasi manch kout]? What do you want—short- or long-term democracy? [Crowd answers: Long-term democracy] Then, I am going to resume, but please answer me with much conviction. Short-term democracy? [Crowd answers: No] Long-term democracy? [Crowd answers: Yes] Long-term and widened democracy? [Crowd answers: Yes] Fake democracy [demokrasi krizokal]? [Crowd answers: No] Two-hands-in-the-pockets democracy [demokrasi de men nan poch] [Crowd answers: No] Two-hands-in-the-air democracy? [Crowd answers: Yes] Show me the two-hands-in-the-air democracy—Two-hands-in-the-air democracy. That is good. Congratulations to you, intelligent youths, who refuse a two-hands-in-the-pockets democracy. [applause]

It is in this same spirit that we hope to get money—money that will allow us to make everybody happy through democracy [lajan ki pou fen fe demokrasi a fe

tout moun kontan]. This way, when we move hand in hand with the international community, they will help us get over \$900 million as loans or as donations and if we add some extra to it, that will represent an amount of over \$1 (?trillion). That is more than \$1,000 million. Is that much money? [Crowd's answer indistinct] Is it little money? Much money? [Crowd's answer indistinct] Will we cross our arms while waiting for this money to come? [Crowd answers: No] Will we stay with both hands in our pockets waiting for this money to come? [Crowd answers: No] Will we be working as this money is coming? [Crowd answers: Yes] To use the money? [Crowd answers: Yes] To make the money grow bigger? [Crowd answers: Yes] That is what is called intelligent. That is what is called intelligent. [Repeats] That is what is called two-hands-in-the-air democracy [demokrasi de men an]. In 1995, we want two-hands-in-the-air democracy. You are so tired that you have not showed me that your two hands are in the air. We want two-hands-in-the-air democracy. [Crowd repeats last sentence along with him] Let me hear you. We want [Crowd shouts: two-hands-in-the-air] democracy. With the two-hands-in-the-air democracy, we will repair the roads that are in bad shape, especially the main roads, the highways that represent 777 km before 7 February 1996.

The money is available for that, and even more money will become available. The government is going to begin really working to repair our national roads, not forgetting about the other roads, which cut through the hills so food products do not go bad in the mountains, so that food can reach the villages and cities and be shipped abroad so we can move forward. Mangoes, once they are ripe in the mountains, must reach the cities to be sold abroad. Do you know that Haiti is among the countries that produce the most mangoes on earth? Where do we stand? In fifth place. Haiti is the fifth-largest producer of mangoes on earth. Is that not a beautiful thing? If there are roads everywhere, could we not produce more mangoes? While this work will be finished before 7 February 1996, drainage must be improved in the South and the West. The channels must be cleaned—the Brea Canal, the Soreil Canal, the Lelerc Canal, the electrical conduit in Cite Soleil, the Orphan conduit in Delmas 30, the Saint-Georges conduit. Bridges need to be built. The bridge in the North Department will be complete before long. Already progress is being made on it. The Leon Bridge in Jeremie will also be built. The Ministry of Public Works has already sent people this week to see what needs to be done to satisfy the people living in Leon. It is in that spirit... [pauses] many other bridges have begun to collapse; democracy demands that we fix bridges throughout the country—the Manegue Bridge, the Montrouib Bridge, the Thomas Bridge, the Torcel Bridge, other bridges that are on the nation's number-one road and bridges on the nation's number two road—the Grand-Goave Bridge, the Torbec Bridge, the Lacul du Sud Bridge. We are going to work so those bridges can bear heavy loads.

Agriculture works with land reform. We spoke of that earlier. Very quickly, \$6.2 billion has become available to support agriculture, helping 250,000 peasant families find what is necessary to make food grow more quickly and to produce better quality in their gardens. Likewise, \$3.3 billion is available to quickly create 40,000 jobs, in addition to those that exist, while waiting for many more jobs in the country. Eleven thousand women need credit in the areas of Croix-des-bouquets, Cite Soleil, Cap-Haitien, and Grand-Goave, not to mention other areas. We are going to help them get credit quickly. We are not going to tell you about everything that is going to be done with the money, which is already available or is about to arrive. [Word indistinct] the prime minister will give you more details on that. Meanwhile, I want you to realize that two-hands-in-the-air democracy does not work with pretty promises, pretty words. It works with jobs and food; it works with demands for justice, reconciliation, and respect, which allow us to move forward. We do not feel that we are in a fake democracy.

Our democracy is just like a golden ball. Let me to tell you that we have succeeded in finding that golden ball we have sought and fought for without violence. It arrived here in the National Palace on 7 February 1991. Today, on 7 February 1995, it is this same golden ball that we feel we have when we hold the flag of demands, the flag of our democracy in our hands. We cannot drop this golden ball on the floor because that is not what we fought for. The word, democracy, for us, Haitian people, is golden. Yes, it is to the neolithic people that the first golden jewels appeared. The alchemists of the Middle Ages attempted to make gold from lead, and 19th century men fought for gold on all the continents. Today, the Haitian people are also fighting for the gold of democracy. Because, for us, democracy is golden.

[In French] On the threshold of the third millenium, the democratic principles, far from plunging us into an imaginary world, will lead us to peace, peace at the planetary level. On the threshold of the third millenium, the democratic principles, far from plunging us into a world of illusion, will lead us to peace, peace at the planetary level. [repeats himself] Let us remember that the planet is not limitless. [word indistinct] the human species, already numerous, will double, reaching 12 billion people, around the year 2100. Saturation is already evident. We must therefore follow the royal path leading to peace, which means democracy. This path is as shiny as gold because it is made of gold. We need democratic structures everywhere to stimulate world trade, to favor economic growth, to intensify real decentralization and real, popular participation, to assure peace and stability in the world. The Haitian people are aware of this. Therefore, between 7 February 1991 and 7 February 1995, many democratic paths crisscrossed the field of our liberation. Despite the vicissitudes and the distressing exhibition of 30 September 1991, a stream of light has been flooding our hearts. It is of course this bright light that dazzled us on 7 February 1991, and is now even more dazzling.

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It is a light that helps us walk with our eyes open. With this light, we will not need to thread a needle in the dark. With this light, the entrance of the house will not remain the house's backyard. With this light we will not trample underfoot the porcelain jar containing the waters of democracy, nor carry the democracy waters in reed containers. Democracy is for all of us, from all sectors of society.

Between 7 February 1991 and 7 February 1995, we made the decision to live freely. Democracy or death, we shouted everywhere, here and elsewhere. Peace to the memory of our heroes. Great men have the entire earth as a grave. Today, at the threshold of the year 2004, we choose to live free and happy. All of us, free and happy. We can be free and happy. We must be free and happy. The imperative of the moment is to buckle down to the onerous task of structuring reforms that our dear Haiti needs so that all of us can share the bread of freedom and happiness around the democratic table. The responsibility for bringing the democratic process to life falls on us. We do this by liberating the potential of the nation's sons and daughters. [Word indistinct] primary education where literacy can only promote the growth of our 85-percent illiterate people and our society. I convey this literacy to all the youth of Haiti, school and university students, citizens eager to feed the fire of democratic growth and active solidarity. Knowledge is for everyone an instrument of power. In sharing it, it becomes an instrument of service. All of us, free and happy, with all of us together, it is possible. If you are doing something, do it, says Plautus. Today, let us transform ourselves to a source of freedom and happiness. May a state of law, guaranteeing freedom and happiness for all, arise.

[In English] February 7, rich in meaning, filled with the promise of democratic principles, is a day that transcends Haiti's borders to connect with the universal aspirations of justice and peace. It is a national holiday that celebrates international principles of democracy. It renews the call to respect human values. Haiti celebrates February 7 with the world, just as the world celebrates, through Haiti, the triumph of a true commitment to democracy. In this spirit, we congratulate President Clinton, members of the Multinational Force, our dear friends in the international community, and all of those who played such an important role in the restoration of democracy. No democracy, no peace. Let us continue to be peacemakers, peacekeepers, peace lovers.

[In Spanish] Friends, brothers and sisters, we who have a future here are walking together, building a world of justice where peace must be the sun, the source of nonviolence, the source of justice, the source of reconciliation. Friends on the continent, brothers and sisters: Yes, it is possible to build this new world where all of us together should never—and never again will—return to dictatorship. We are moving toward democracy and through democracy so that peace will be our everyday bread.

[In French] It is possible. Altogether, it is possible.

[In Creole] This is exactly what we call a democracy—not a lemonade democracy, a sweetened-water democracy, not a democracy thin like water. It is a democracy to stir our blood, a democracy to circulate in our marrow, a democracy to pump our brains, young Haitians, a new blood, a brand new blood that will help us make Haiti a new country, a brand new country. This is exactly what we have come here to say today. It is this commitment that we have come to make again, together with all democrats throughout the entire world, to move, and to let everybody know that there is no question at all of discouragement. [applause]

Before 7 February 1991, before 7 February 1991, [repeats] what did we say? No move from anywhere. [Crowd repeats: No move from anywhere] I am going to finish, so answer loud. What did you say before 7 February 1991? [Crowd replies: No move from anywhere] After 7 February 1991, what did you say? One country, one flag, one appointment, and the appointment place is around the table. Before 7 February 1995, what did we say? Days have come and days have gone. Days are coming; days are going. But on that day, ah! Today, 7 February 1995. Now give me the correct answer because I am going to end. Give me the correct answer because I am going to finish. I want the words to have a positive effect on you. If you like them—you make me feel good because I do not make a secret of it—they have a very positive effect on me and I like them very much because I feel that I am a part of you, I feel that you and I are one and the same. So give me the correct answer: Do you want a short-term democracy? [Crowd answers: No] Do you want a long-term, unrestricted democracy? [Crowd replies: Yes] Do you want a two-hands-in-the-pocket democracy? [Crowd responds: No] A two-hands-in-the-air democracy? [Crowd answers: Yes] A democracy with crossed arms? [Crowd answers: No] A two-hands-in-the-air democracy? [Crowd replies: No] A farce of a democracy? [Crowd answers: No] A democracy? A lavalas democracy? [Crowd answers: Yes] A real, real democracy? [Crowd answers: No] A long-term, unrestricted democracy? [Crowd responds: Yes] Give me an entire democracy, give me the whole thing, all the way and without restrictions. [applause] Do you want a two-hands-in-the-pocket democracy? [Crowd answers: No] Do you want a two-hands-in-the-air democracy? [Crowd replies: Yes] Give me a whole democracy, give me the whole thing, all the way and without restriction. Again, do you want a two-hands-in-the-pocket democracy? [Crowd answers: No] Do you want a two-hands-in-the-air democracy? [Crowd replies: Yes] So, two hands in the air, two hands in the air, two hands in the air [repeats himself], alone we are weak, together we are strong, and closely united... [Crowd responds: We are lavalas] Two hands in the air, two hands in the air [repeats himself], alone we are weak, together we are strong, tightly united ... [Crowd replies: We are lavalas]. I love you. I love you. I love you. [In French] I love you. I love you all. [In Creole] Happy

anniversary! Happy anniversary to all of you. Alone, we are weak; together, we are strong; closely united. we are lavalas. [applause]

Prime Minister Urges Technical Assistance

BR0802121595 Paris LE MONDE in French 7 Feb 95
p 6

[Report on interview with Prime Minister Smarck Michel by Sylvie Kauffmann in Washington; date not given: "Haiti's New Challenge: How To Spend the International Aid"]

[FBIS Translated Text] Washington—How can \$600 million be spent in the most visible possible way? This is the problem facing the Haitian Government following the decision by 20 backers from the international community, who met in Paris on 31 January under the auspices of the World Bank, to give this country more than \$1 billion in donations and loans (\$1.192 billion, according to the Haitian prime minister) of which almost \$600 million will have to be spent in 1995.

"The main problem which I raised at that meeting," Haitian Prime Minister Smarck Michel explained to LE MONDE during a 3-day visit to Washington, "is that of Haiti's low absorption capability: We need technical assistance to spend all this money in one year. If we do not spend it in one year, it will not produce the recovery effect we want." The international community's coordination with the Haitian authorities, which has so far been rather poor, is, in Mr. Michel's eyes, an important factor in the success of this rescue plan.

Countdown

For President Aristide and his government, who have been in power for 3 months, the countdown has started. On 31 March, the U.S. contingent (6,000 men) will hand

over to the UN force (the UN Mission in Haiti) of 6,000 Blue Helmets, whose mandate is due to expire in February 1996. "It is difficult to say that we are not ready," the prime minister merely said: "We are doing what we can with what we have. There will still be 6,000 men, and that will still be a deterrent force." On 28 April, if this date is confirmed by Parliament, the parliamentary elections will be held. But it is not until May that, according to the prime minister, the foreign aid should start to "visibly" produce jobs and be seen in practice by the population; the return of the private sector, attracted by the arrival of international funds, should contribute to that. Hitherto the financial aid has above all made it possible to fill in huge gaps in the budget.

Mr. Michel, who comes from the private sector, is not naively optimistic. "The level of security is acceptable," he said, "but it is fragile. The disarming (of the militias—LE MONDE editor's note) did not go exactly as it should have done. But the population is responding remarkably well: In such circumstances, with a multinational force which is not really carrying out policing duties, there should be complete anarchy, which is not the case." He took advantage of his visit to Washington to argue the Haitian cause to the new Republican masters of Congress, who are very reluctant to spend the country's money abroad: "I want to persuade them that the investment made by the United States for democracy in Haiti is not in vain and that failing to carry it through to the end would amount to wasting all that has been done: This fine adventure by the U.S. Army would have been for nothing." Mr. Michel, who was received by the main officials of the U.S. Administration, has confidence in the pledges made by Bill Clinton who, he asserted, would oppose a change of policy in Congress toward Haiti: "The Mexican case," Mr. Michel said, "is a good example."

Foreign Relations Secretariat Opposes U.S. Border Tolls

PA0802145695 Mexico City XEW Television Network in Spanish 0430 GMT 8 Feb 95

[From the "24 Hours" newscast]

[FBIS Translated Text] A few minutes ago, the Mexican Foreign Relations Secretariat voiced its opposition to a series of measures announced by President Bill Clinton that include charging tolls on pedestrians and vehicles crossing into U.S. territory by land.

The Mexican Foreign Relations Secretariat announced that these measures would adversely affect Mexicans, who continuously cross into U.S. territory. These measures would hurt trade and tourism and have a detrimental effect on the daily lives of people on both sides of the border.

The Foreign Relations Secretariat said the Mexican Government is willing to strengthen border cooperation with the United States so that problems can be resolved without resorting to measures that could adversely affect bilateral relations.

Pemex Denies Credit Affects Crude Operations, Prices

PA0802213995 Mexico City NOTIMEX in Spanish 2101 GMT 7 Feb 95

[FBIS Translated Text] Mexico City, 7 Feb (NOTIMEX)—The parastatal firm Mexican Petroleum (Pemex) today denied that the \$50 billion-plus in credits granted to Mexico will affect the extraction, production, export, refinement, or price of crude oil.

Pemex Director Adrian Lajous Vargas explained that backing the loan with oil revenues only constitutes a guarantee for "contingencies"; that is, they will apply and be collected only if Mexico is unable to meet its obligations. "Even though these guarantees"—upon which he did not further elaborate—"cover most of the oil revenues; neither hydrocarbon reserves nor the future sale of oil will be affected in any way," Lajous Vargas said. He said there will be no interrelation whatsoever between the conduct and evolution of the parastatal firm and the line of credit. "[no opening quotation mark as received]

Last week, U.S. President William Clinton announced that a financial package worth over \$50 billion would be granted to Mexico. The U.S. Stabilization Fund will donate \$20 billion of this package. The Finance Secretariat said Mexico's oil revenues will only cover the \$20 billion credit package granted by the United States.

Lajous Vargas admitted that Pemex was about to adjust its budget in light of the current economic emergency. This adjustment will entail a reduction in the workers' payroll. He explained that this would protect investment

in projects in such strategic areas as extraction, production, refining, and export of oil products. He recalled that Pemex had petitioned Congress to increase the budget for oil exploration by 25 percent in order to increase international crude reserves, which amount to 64.516 billion barrels. Potential reserves total approximately 600 billion barrels. The parastatal firm exports 1.3 billion barrels per day.

Director Denies Hardships

PA0902001895 Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 8 Feb 95

[Report by Jorge Zarza from the "Early Morning" newscast—passages within quotation marks are recorded]

[FBIS Translated Text] Mexican Petroleum [Pemex] neither needs nor will it accept coinvestments in the extraction of hydrocarbons. Pemex General Director Adrian Lajous Vargas made it clear that those who seek Pemex' privatization are a small minority.

[Lajous] "The oil industry is not facing financial difficulties. It does not need financing from these associations. It does not require financing. Pemex can go directly to financial intermediaries to cover its needs."

Lajous explained that the financial aid package given to Mexico is only a guarantee. He said that as a credit, the oil bills are not a means of payment for the aid being negotiated by the government.

[Lajous] "We are not talking about the advanced sale of petroleum exports or production, much less of its oil reserves."

The Pemex director said that on this occasion there will be access to information. During the news conference, however, things did not turn out quite like he said they would.

[Lajous] "What I am never going to say, and what you will never hear me say, is the total amount of those assets. It is never prudent to speak of amounts in a trade situation. It is a complex negotiation process. You will never hear me talk about an amount."

Lajous warned that the state-owned company will be run austere in 1995. He said this austerity will result in a new reduction in personnel.

In conclusion, Lajous said the fate of Pemex, following the U.S. guarantees to Mexico, will not effect the volume or destination of oil exports.

[Lajous] "In conclusion, under no circumstances will this affect—as I read somewhere—our selling price for oil."

Finance Secretary Explains Terms of Credit Negotiations

PA0902035395 Mexico City NOTIMEX in Spanish 2120 GMT 8 Feb 95

[FBIS Translated Text] Mexico City, 8 Feb (NOTIMEX)—Finance Secretary Guillermo Ortiz today

affirmed that Mexico's negotiations abroad for loans will strictly uphold the country's sovereignty and dignity.

In a note he sent today to Congress, the official said that negotiations for the financial package, with which Mexico expects to receive credits worth \$52.759 billion, are in the first phase.

Ortiz maintained that "there still are not enough elements to give details on the negotiations," he added, however, that the Mexican Government will keep the financial package it is negotiating completely above-board.

The government "will send Congress the details, conditions, and terms of the package to make sure that the financial support is compatible with our national interests," the government official stated in his note.

Ortiz explained that the objective of the financial package is to swap short-term domestic debt for long-term foreign debt. That swap implies lower debt service costs, not an increase in the total amount of debt authorized by Congress.

The finance secretary said the package will include a \$20 billion loan from the United States, which is heading the credit operations.

In addition, the IMF will contribute \$17.759 billion, \$7.725 billion of which has already disbursed. European and Japanese central banks will contribute another \$10 billion.

The package will be complemented by \$1 billion from Canada; another \$1 billion pledged by Argentina, Brazil, Chile, and Colombia; and \$3 billion pledged by private international banks.

Secretary Ortiz emphasized in his note to Congress that negotiations continue regarding the conditions and financial terms for repaying the loans, but he did say that political conditions have been excluded.

According to the official, the Mexican Government intends to carry out three possible types of operations, including a short-term currency exchange in the terms agreed upon in the North American Financial Agreement.

Moreover, the government will seek a mid-term currency exchange for up to five years and guarantees for up to 10 years, although "the method of these operations remains undecided for the time being," he added.

The note was relayed to the Senate and the Chamber of Deputies Finance Committees for analysis. These commissions will determine whether special sessions are needed to approve the financial package.

Article Views Prospects for Deficit Reduction

PA0902020895 Mexico City *EL FINANCIERO* in Spanish 6 Feb 95 p 32

[Article by Lourdes Gonzalez Perez]

[FBIS Translated Text] The trade and service deficits will not be easy to change as 65 percent of all Mexican imported goods are intermediate goods (45 percent of which are reexported), 15 percent are capital goods, and 20 percent are consumer goods.

Therefore, importation of consumer goods will have to be practically eliminated to accomplish the government's objective of reducing the current account deficit by half.

A report made public in Mexico City by the Private Sector Center for Economic Studies (CEESP), but not widely circulated, contends that if purchases of foreign final consumer goods remain at the current level, then the current level of intermediate and capital goods purchases, which are all crucial to Mexico's development process, will also have to be reduced.

The study stresses another fact: As foreign investment in the manufacturing sector grows, the importation of intermediate and capital goods will also continue to rise.

In spite of this, the report cautions that Mexico's current account deficit can be still be reduced, but the challenge presented by the task should not be underestimated.

The CEESP's assessment emphasizes that even if a lower current account deficit is reached, it is quite possible that it will still significantly exceed the level of direct foreign investment that Mexico can attract, especially once the economy begins to grow.

What is more, even by resorting to generous predictions for direct foreign investments, Mexico will still have to finance most of its current account deficit through short-term credit flows.

The document goes even further to say that while it would be preferable for Mexico to obtain the aforementioned short-term investment in pesos, following the devaluation, investors greatly prefer investments in U.S. dollars.

In light of this scenario, the report states, the Mexican Government's double challenge lies not only in cutting the current account deficit but also in recovering the peso's status as an investment medium, a position it enjoyed prior to the devaluation.

The report also indicates that the central issue for Mexico in the long term lies in the economy's capability to reclaim its dynamics in light of a current account deficit that is by nature structural.

This deficit, the CEESP analysis explains, is not only the result of a growing commercial imbalance—on which the current government policy concentrates—but is also due to a deterioration in the balance of services, which is determined by payments to international creditors.

In this context, the report indicates that of the \$28 billion current account deficit estimated for 1994 [as published], nearly \$10 billion is the result of payments in

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U.S. dollars related to obligations on existing debt; an amount greater than the total interest received from all international obligations owed Mexico.

Cutting the Deficit in Mexico, Negative Effects in the United States

The document emphasizes the severe impact cutting the current account deficit in Mexico would have on U.S. economic growth.

Cutting the current account deficit by 50 percent would have a tremendous impact on Mexico's foreign trade with the United States. In nominal terms, the U.S. trade deficit would increase by approximately \$14 billion, which would lead to a 0.1 to 0.2 percentage point decline in real growth in the United States.

In general, the CEESP report states that the repercussions on U.S. growth and its corresponding effect on Mexico would undermine growth in the United States by more or less 0.3 percentage points of the 3.7 percent and 3.3 percent growth forecast for 1995 and 1996, respectively.

Although the foreseen recession of the Mexican economy will have very little impact on Canadian growth, the acute deterioration of Mexico's prospects accentuates the erosion of North America's role as a leader of global growth.

In this regard, the analysis also mentions that Canada's current account deficit is close to 4 percent of GDP, while that of the United States is nearly 3 percent of the GDP.

In fact, among the world's most important regions, North America as a whole is the only one with a substantial current account deficit.

It must be stated that Canada had to strengthen its currency with higher interest rates last year, and recently the Canadian dollar registered a slight drop as a result of the Mexican crisis. In addition, the U.S. dollar has not benefited as had been expected from the stampede against the peso.

In general, the fragile currencies of North America underline the region's vulnerability to the flow of foreign investment and the possibility of high interest rates.

Although the cost of money in the United States has begun to go up, the crisis of the Mexican peso might activate forces that would lead to the weakening of the U.S. and Canadian currencies and/or interest rates in the region being higher than those foreseen now.

Article Notes Dilemma in Paying Off Certificates of Deposit

PA0802231395 Mexico City EL FINANCIERO in Spanish 6 Feb 95 p 7

[Article by Georgina Howard]

[FBIS Translated Text] In view of the lack of capital, foreign debt, growth of the overdue portfolio, currency exchange losses, and rising interest rates that have resulted from the financial imbalance being faced by banks ever since the national economic crisis exploded, the maturity of \$8.7 billion in Cedes [certificates of deposit] is yet another unresolved "red light" affecting credit institutions.

According to Jose Madariaga Lomelin, president of the Mexican Banking Association, there is no risk of bankruptcy or insolvency in paying off the Cedes since the \$2.5 billion that matures during the first quarter of 1995 "is covered."

But companies like Oppenheimer Securities and Baring Securities warn that at least 11 Mexican banks with branches overseas are "so deeply in debt" that they are no longer eligible for loans from foreign credit institutions that might help them pay off over \$8 billion in maturing Cedes.

These companies say that Banamex [Bank of Mexico] has more than \$4 billion in Cedes held in foreign hands, and Bancomer [Bank of Commerce] has \$1.936 billion, not counting the \$1.2 billion in Cedes held by the European market.

Included in this list are Banco Inverlat, formerly Comermex, with \$1.7 billion; Banco Internacional, \$740 million; Banco del Atlantico, \$350 million; and Banco Mexicano, with more than \$570 million in Cedes, which is held by its overseas branches.

Noteworthy is the fact that national credit institutions had to revert to Cedes to make foreign currency available. But because of the devaluation of the peso banks are now victims of certificates bearing high interest that are now falling coming due.

Experts from the Bank of Mexico and the National Banking Commission agree that by renegotiating a longer maturity for Tesobonos [treasury bonds], banks will be able to settle their debts.

Some bank executives, who prefer to remain anonymous, think that the mechanism that institutions must employ in facing this debt has not yet been defined. They warned that at least nine Mexican banks are facing solvency problems and that their operations in the money market do not have sufficient collateral.

They think that the \$50 billion-plus credit package that Mexico was granted by the United States and other international organizations will allow financial authorities to offer the banks a suitable mechanism for paying off the Cedes in the short term and thus avoid harming the system.

Despite the fact that some credit institutions embarked on a road show in international markets three weeks ago in an attempt to renew the maturity dates, the level of

funds in the Mexican banking system has increased substantially and cash flow has strongly contracted.

Members of the executive committee of the Mexican Banking Association acknowledge that with new changes, like renegotiation of a longer deadline for Tesobonos and authorization of new operations, the banking system will have enough resources to cover any eventual increases in interest rates.

They emphasized that the appropriate thing would be to stabilize the peso between 4.5 and 4.8 per dollar so that credit institutions could pay off the maturity of more than \$8.7 billion worth of Cedes.

Zedillo Denies Destruction of PRI Necessary for Democracy

PA0902040895 Mexico City REFORMA in Spanish
7 Feb 95 p 1A

[Report by Miguel Perez]

[FBIS Translated Text] President Ernesto Zedillo yesterday contradicted those who think his democratic mission, as president of the republic, is to destroy the PRI [Institutional Revolutionary Party] by explaining that the healthy distance between that political party and the government is not resignation or separation but a respectful democratic commitment to Mexico and the party's internal life.

Before the PRI's National Political Council, National Executive Committee, deputies, senators, and assemblymen, the head of state stressed that he is a PRI supporter and will continue to be one for the rest of his life.

"In the forging of a new democracy, we all have tasks and responsibilities, but let it be clear—I say this in reference to certain statements I have read and heard recently from people who belong to other political forces—that no one could aspire to forge this new democracy by requesting the destruction of any political party, much less the PRI.

"I want to be more specific: I disagree with those who think that the democratic mission of Ernesto Zedillo, the president of the republic, is to destroy the PRI, because that idea is not democratic; that idea is authoritarian," he stated.

He explained that such thoughts belong to people who, while taking advantage of the country's difficult economic situation, want to become popular and obtain the support they failed to get at the voting tables.

Zedillo added that during the talks he held with other political parties, he disapproved of certain sectors which in the past wanted to eliminate the opposition.

"Some of the parties that oppose the PRI—at least one of them—said that in the past they felt as if someone wanted to eliminate them, to erase them from the Mexican political map. I condemn that attitude, if it is really true," he stressed. "For the same reasons, I must reject those who demand the destruction of a political party as a condition for the country to progress politically, and I reject those who say, from a biased standpoint, that the political party should be the PRI."

Costa Rica

Finance Minister on First Quarter Goals

95CA0107A San Jose LA NACION in Spanish
15 Jan 95 pp 4A-5A

[Interview with Finance Minister Fernando Herrero by Yanancy Noguera C.; date and place not given—first 10 paragraphs are introduction]

[FBIS Translated Excerpt] The first three months of this year will be decisive in the government's economic efforts.

During these 90 days it will have to convince Costa Ricans to shoulder higher taxes and, therefore, will have to negotiate with employers, labor groups, and the Social Christian opposition.

Moreover, at a time when international reserves are limited, it will have to pay out during these months \$120 million in arrears to the creditor countries belonging to the Club of Paris.

As if this were not enough, it will have to hammer out an economic stabilization agreement with the International Monetary Fund (IMF). It must also meet all the requirements for the World Bank and the Inter-American Development Bank (IDB) to disburse some \$100 million under the Third Structural Adjustment Program (PAE III), which are needed to finance several projects and expenditures.

Fernando Herrero, the minister of finance, realizes that hard work is in store for him, the rest of the cabinet, and the president of the republic himself, Jose Maria Figueres.

Nevertheless, he has a positive attitude. His watchword is to mend the budget deficit. To this end they will do whatever is necessary.

If they do not pass the tax packages, among them the hike in the sales tax from 10 to 15 percent, the changes in the income tax, and the one percent levy on company assets, the outlook becomes uncertain. They would be short the 45 billion colones that these taxes are expected to bring in per year.

Failure to solve the fiscal problem will fuel inflation and hurt production. The budget deficit would rise to seven percent, compared to a 2.9 percent if the tax bills are passed before March.

In 1994 the public sector deficit was equivalent to 7.5 percent of the Gross Domestic Product (GDP). The reason was that outlays maintained their customary rate of growth (28 percent) while revenues were up barely 0.5 percent, and things will apparently not be much different this year unless there are fresh revenues. [passage omitted]

The minister outlined his concerns in an interview with LA NACION. Below are excerpts from the conversation.

[Noguera] How do you plan to defend the two bills, adjustment and tax justice, which include tax changes and tools for improved revenue collection, especially since you regard them as so vital?

[Herrero] All Costa Ricans, especially organized groups, have to make an effort to help resolve the fiscal problem. I sense that people realize that solving the problem and reducing the deficit are imperative.

[Noguera] Where would you be prepared to compromise with the employers and other sectors that are opposed?

[Herrero] We are prepared to modify everything. Of course there are rules. One is to lower the budget deficit significantly. If someone does not like a measure, he has to propose an alternative that will resolve the problem another way. Another rule is that those who are able to must pay higher taxes than those who have less. Lastly, we have to act quickly, because the deficit rises with each passing day. This is why we think that the bills have to pass during the special session.

[Noguera] Why have you retained taxes that the National Forum rejected? Don't you have other options?

[Herrero] No alternatives have been proposed. There is talk of selling off assets, but that is no alternative. There is also talk of cutting spending, but it cannot be lowered at the rate that we need to control the deficit.

[Noguera] If the sale of valuable State assets were to be considered in the discussion of the fiscal problem, would you be willing to go that far?

[Herrero] I personally feel that this is an important discussion that we ought to have. The sale of ICE [Costa Rican Electricity Institute] telecommunications has been mentioned most often because it is worth some money. But this does not solve the fiscal problem. It could help, but in any event we have to solve the problem and it has to be some other way.

The other problem is time. If we eventually agreed on selling telecommunications, we would have to draft laws, pass them, and arrange biddings, and that would take a long time, some five or six years. Moreover, in my judgment a sale like that should not be considered as part of a financial problem. When we think about the ICE and telecommunications, we have to consider that these services are vital to development and we have to ask ourselves whether the State ought to keep control of them or whether we should seek alternate arrangements, like Bolivia, or strategic alliances. But the most important thing is to discuss it in this context, not in fiscal terms.

[Noguera] Do you feel the same way about the National Insurance Institute (INS) or the Costa Rican Oil Refinery (Recope)?

[Herrero] In the case of the INS, we have stressed that during this stage what we are going to do is modernize it, because it is not clear that opening up the market is a good idea. The same goes for Recope.

[Noguera] If the bills do not pass on time, before March, as you are planning, how much additional borrowing will you have to do?

[Herrero] That would mean borrowing 100 million colones for the entire year (borrowing stood at 73.156 billion as of November 1994). We do not know whether the market will have the capacity to absorb this. If the bill passes during the first quarter, there will not be as much pressure, and interest rates will drop.

[Noguera] What will be your strategy for talking about taxes with the sectors involved?

[Herrero] We have to build the broadest agreement possible before debate begins in the Assembly. We are setting up meetings with different groups; we have already had one with the Union of Chambers. We also have to talk with the Social Christian Unity Party; Rolando Gonzalez, the PLN [National Liberation Party] group chief, is coordinating this.

[Noguera] How would you describe the trend in revenues in 1994? What will you do to speed up their growth?

[Herrero] In Customs we see a very significant real drop up to November. But when you look at the rest of the 12 taxes that the Tax Office administers, up to December there was an increase of 16.5 percent in nominal terms. Inflation averaged 16 percent (the comparison is with this rate, not with the December to December average because taxes are collected throughout the year). So, there is no increase, but at least there was no decline either. We now hope that the Assembly will quickly pass the legislation that empowers us to collect revenues better.

[Noguera] Aside from what is contained in the tax justice bill, what sort of reform do you plan to undertake in direct taxation?

[Noguera] We are working here to make sure that we have complete lists of taxpayers and of how much they have to pay. We have the program of major taxpayers, the 50 or so companies that pay 80 percent of the taxes. The other critical area is computer systems.

[Noguera] You plan to take additional measures on expenditures besides the findings of the commission to restructure public spending. What are you going to do with pensions, transfers to universities, wages?

[Herrero] These are slower processes. Regarding wages, we are again taking up the previous administration's idea of the Public Employment Law. Rodrigo Oreamuno (first vice president) is working on this. The thing is that all public employees are paid by the same boss under the rule that there is equal pay for equal work. So, if a wage hike is approved in one institution, it triggers wage negotiations in the rest of them. Wages should rise as a result of efficiency and productivity. We have to create a legal framework that regulates this.

As for pensions, we need to develop a sound system that will insure everyone an appropriate income after retirement and under which this major source of savings will be

properly utilized. Not only do we have to deal with the underfinanced State systems but the ones in the Costa Rican Social Security System (CCSS) as well. The principle is that the systems should be self-financing and fairer.

We see the issue of the universities as having to do with quality, efficiency, the relationship between them and society, and financing. The universities ought to be able to generate more of their own revenues and depend less on the national budget, and in fact they have the potential to do so. We also have to try to see to it that they spend their money more fairly.

[Noguera] The program of State reform will initially mean higher spending. How will you manage this? When do you expect to see positive results in terms of lower spending?

[Herrero] The government and the other institutions have a benefits fund for payments. Lower spending tends to be seen in a year's time.

[Noguera] I understand that an agreement to lower spending was reached with the IMF. Will this again be in investment?

[Herrero] The Fund's previous mission said that we should aim at cutting outlays by one-half percent of the GDP. The more flexible items tend to be investments, which have external financing. Much of our problem of scheduled spending that has not been executed is due to the fact that we did not allow ourselves to spend it in order to fulfill the agreements with the Fund. So, we want to discuss a solution with them so as not to forgo this investment. That would prompt us to cut current spending. The only thing that we could do is to freeze hiring, to be very careful about wages, or to underspend across the board in each agency.

[Noguera] When do you expect to hammer out this agreement, especially since you will not receive the initial funds from the PAE III until you do?

[Herrero] In order to make this disbursement they have to feel that the macroeconomic situation is stable. If an agreement has not been reached, they (the World Bank and the IMF) talk about it themselves or the Bank does a study. It is hard to tell by when the agreement will be worked out, although it probably will not be reached until they have a clear idea of how we are going to raise revenues to lower the deficit.

[Noguera] When will we be paid up with the Club of Paris?

[Herrero] This quarter. Part of the bond issue will go to pay them. It's \$120 million.

[Noguera] What specific actions is the administration going to take to reduce the domestic debt? Have you given any thought to forgiving the debt within the public sector itself?

[Herrero] A debt forgiveness does not affect the government's consolidated deficit because someone's debt is someone else's income. Also, not paying up is harmful because no institution would deposit its funds in the government again, creating a credibility problem throughout the market. PAE money would always be used to try and lower the domestic debt.

[Noguera] Is the entire administration convinced that you will resolve the fiscal problem, no matter what it costs?

[Herrero] I have found strong support from all my colleagues in the administration. Everyone realizes very clearly that this is the primary thing that we have to take care of so that we can do a good job. We do not want to bequeath the problem to the next administration.

Nicaragua

Chamorro Urges Discussion of Constitutional Amendments

PA0802221295 Managua Radio Sandino in Spanish
1200 GMT 7 Feb 95

[Message to the Nation by President Violeta Barrios de Chamorro in Managua; date not given; from the "What's Happening?" newscast—recorded]

[FBIS Translated Text] Nicaraguan citizens: The National Assembly has issued an invitation to today's ceremony to sign the bill amending Nicaragua's Constitution.

The bill, as approved by the deputies, amends more than 60 articles of the existing Constitution, profoundly altering all four state branches, the rights and guarantees of Nicaraguans, and the way this nation is governed. These very profound changes are more than just a partial amendment. These changes constitute complete amendment of the Constitution, something that can only be done through a constituent assembly, not a regular assembly.

I would like to reiterate that I want to see the Constitution reformed. I would like these changes to be complete so that they may guarantee democracy, balance among state branches, and Nicaragua's development. But these amendments must be made within the current constitutional framework.

Also, there has been an attempt to have this bill promulgated within 15 days. I want to make clear that the existing Constitution does not establish a time limit on enactment of an act of this importance, as this falls within the purview of the president only. Because of this, starting today I am inviting different sectors to express their views. I want to meet with them and gather their opinions on the amendments bill that the National Assembly wants me to sign.

At this crucial juncture in our nation's history, I reiterate my undivided commitment to the Constitution and the laws that must be respected and by which we must abide. God bless you all.

Assembly Signs Constitutional Reforms

PA0802231495 Managua Radio Nicaragua Network in Spanish 1200 GMT 8 Feb 95

[From the "News 2000" newscast]

[FBIS Translated Text] The constitutional reforms were signed last night in a special ceremony attended by representatives from the country's various social sectors. These controversial reforms, approved in the second round by the National Assembly, were signed last night and submitted to President Violeta Barrios de Chamorro who must approve them within 15 days.

The special ceremony was held at the Olof Palme Convention Center and attended by representatives from various sectors of the country, including members of the diplomatic corps accredited in the country, Supreme Electoral Council officials, two Supreme Court justices, political party leaders, mayors, including Managua Mayor Arnoldo Aleman, civic groups, and Vice President Dr. Virgilio Godoy. They expressed their support for the constitutional reforms. The ceremony was blessed by Monsignor Jose Abelardo Mata, bishop of Esteli, who thanked the Lord for such an important step.

Dr. Alberto Saborio spoke on behalf of the Support Group about the constitutional reforms. He analyzed the legality of the reforms and read a pronouncement asking society to support them because the executive's rejection is unjustified.

Saborio also called on the Supreme Court of Justice not to attack the constitutional reforms because it would earn them the people's disapproval.

Before signing the reforms, National Assembly President Luis Humberto Guzman spoke about the effect they will have on the life of each Nicaraguan. Guzman stated that there are no losers with the reforms because they were not drafted to punish anyone. He said they represent an act of justice for the Nicaraguan people and noted that they are plain principles, like the 10 commandments.

The National Assembly president noted there is no turning back with the reforms. He said he hopes the reforms are enacted soon, without altering the country's stability. He concluded by calling on the executive to carry out a reform implementation program to create harmony among the state branches.

Panama

Perez Balladares Addresses PRD Seminar

PA0702232895 Panama City TVN Television Network in Spanish 2331 GMT 6 Feb 95

[Report on speech by President Ernesto Perez Balladares at a Democratic Revolutionary Party Seminar; date and place not given—passages within quotation marks are recorded]

[FBIS Translated Text] Over the weekend, the Democratic Revolutionary Party [PRD] held a seminar to announce and explain the government program. President Ernesto Perez Balladares participated in the seminar.

[News Director Luz Maria Noli] President Ernesto Perez Balladares participated in a seminar, which was attended by the PRD leadership. They heard the government's proposal regarding the changes included in the draft bills presented to the National Assembly for discussion during special legislative sessions.

[Perez Balladares, broadcast in progress] "...as president and as a politician. The easiest thing for us to do when assuming office would have been to dismiss a large number of public employees, appoint qualified fellow party members, and later defend that action and the status quo; in other words, not to go into what we have gone into

"We have tried to change economic and social structures. This necessarily affects many interests, some of which are very powerful. I think that would have resulted in five years of dallying, five years of government, five years without a problem, five years after which you, at the end of my term, would have said I did exactly what Mr. Endara did: Nothing. And we would have lost the elections.

"We have taken the path I believe Torrijos would have taken. We have taken the path he took when he led the country; that is, making the changes that needed to be made, breaking the structures that needed to be broken, and negotiating what had to be negotiated when he negotiated the Canal treaty. I think that is precisely the spirit that moves us and what we ourselves describe as Torrijism; namely, doing from government those things we know we must do, not for ourselves or for the party but for the country's welfare, which is what matters.

"We are obviously beginning to modify some things. People realize, particularly those who have important interests, that we were not merely making a campaign speech but presenting a government program, which we are fulfilling. Many Panamanians, however, are accustomed to hearing so many lies and believe that campaign promises are one thing and what the government does is something else. We are demonstrating that we will do what we said we would do. We are doing this with the best intention of uniting everyone in this national effort.

"That is the reason—and it is the only reason—why we have not proceeded with mass appointments after mass dismissals. That would have adversely affected our effort to join everyone in a national effort."

[Noli] For Perez Balladares, these are the reasons for change:

[Perez Balladares] "The status quo has not yielded the results most Panamanians expect. The status quo does not create enough jobs to meet our aspirations and those of the people who come after us. The jobs that are being created are not high-quality jobs. In other words, they do

not have the salaries we would like. We must accept this as a reality. To perpetuate this would have been an act of historic irresponsibility on our part. This would have been the easy way: To toy with it like the Arnulfist Party [PA] did. For five years they did not interfere with anyone. This is true not only of the PA, but also of this gentleman from Molirena [Nationalist Republican Liberal Movement]. These were the people who said, before coming to the government, that the Labor Code must be changed. What was the name of your predecessor?

[Unidentified official] "Rosas.

[Perez Balladares] "The first thing this person did, in a show of deep demagoguery, was tell the workers that the Labor Code was perfectly okay, all the while knowing it was not true. He toyed with it for five years. The same people who said we must seek ways to make industry more efficient created more protectionism. They maintained and reinforced the status quo.

"The time wasted during the inept PA's term in office causes me a great deal of anxiety, not only for what we Panamanians have left behind but for what our competitors are doing.

"The Central American presidents will probably come to Panama next weekend."

"I asked them, I invited them to come. I offered them neutral soil for discussing the Central American economic plan, to which we are not a party. They are coming to Panama, which is impartial.

"The subjects they are discussing...[pauses] and I want our people to hear about this, not from me but from the Central American presidents themselves. Our plans, compared to theirs, are dull. They are really breaking the old molds. I will give you some examples. They are proposing to dollarize their countries; in other words, eliminating their national currencies. We already did that, but it was not our decision, it is just so. That immediately weakens Panama's advantageous position. They have not decided yet if they will do this according to the Argentine example—backing their currency so it will have parity with the dollar—or by simply taking their currency out of circulation. They are also thinking about when to do it and trying to agree on a date.

"Another proposal is to reduce taxes on the importation of raw material and capital assets; in other words, machinery. Today's 6 percent will be reduced to 1 percent. They will also lower protection levels on their national industries from the current ceiling of 20 percent...[pauses] our ceiling is 200 percent plus. That is why industrialists cry out when we talk about that ugly law called universalization. [laughs] That is the reason. Central Americans have established a 20 percent ceiling to protect their industries. They are proposing an immediate reduction to 15 percent, to 12 percent in a year, to 9 percent in two years, and to 6 percent in three years.

"Central American industries must either compete or close. Can you imagine what will happen if we maintain the status quo? No one will invest here. We will not be creating jobs, and worse, the pressure of competition from Central American and South American products will force our companies to close.

"What are we doing about this? Naturally, we are trying to allow reasonable time, reasonable protection, but the message to businessmen and industrialists is this: They must be efficient; they must compete. The reason is simple. Efficiency and competition will benefit the people. When you compete with foreign products perhaps of better quality and with a lower price, you must sell at the same price or no one will buy yours.

"That is what this is all about. You will find out for yourselves, without mentioning any names, who is preparing to fight the program. These are people who also think it is possible to maintain the status quo for another five, 10, or 15 years. In other words, they believe a series of transfers from Panamanian society to those sectors can still be preserved. That is the gist of the matter.

"Whenever you have subsidies, protective measures, and incentives, someone will be gaining something at someone else's expense. If, in accordance with Law 3, industries are exempt from paying \$140 million in import taxes annually, that is like losing \$140 million that could have been used to build housing and highways and to promote health and education. These things are being taken away from somebody. To top it off, we are paying a surcharge for those products, and that is the issue."

[Noli] As for the Labor Code, Perez Balladares said:

[Perez Balladares] "We are trying to find a way to eliminate all aspects that could be sources of conflict or annoyance."

"The idea—and I believe we have made this very clear wherever we have gone—the idea is not to cut salaries or reduce any worker's benefits. The idea is to promote a better relationship between workers and management by making a few adjustments without mandatory government intervention. Those things that can be solved among equals on equal terms should be solved. The government will have to regulate those things that cannot be solved. The law will allow for better income through incentives that reward productivity. That means productivity will be profitable for the worker and for management, of course. The proceeds should be distributed equally among workers and management.

"These are not new ideas. The novelty is that they are becoming generalized. That means these concepts are accepted almost throughout the entire world. We will do more harm to our workers and their children, our future workers, if we are not flexible enough to regain the investment levels we need in Panama."

[Noli] The Panamanian president also addressed the political costs that will accompany change.

[Perez Balladares] "Socially speaking, we want this to be as inexpensive as possible. We are going to be targeted politically. Of course, this was a conscious decision. The National Executive Committee decided to invest the political capital we now have, instead of leaving it stand. We are going to spend some of it. That is right. Yesterday or the day before I saw a report in a newspaper with small circulation. It had a big headline stating that the president's popularity had dropped drastically over the last five months of his administration. It so happened that one of the people who accompanied me to Venezuela, a member of the delegation, had the poll results with him. He had bought a copy of this poll in this newspaper with minimal circulation. The terrible drop turned out to be seven percentage points, from 81 percent to 74 percent approval.

"Now, let's look at it from the opposite side. We won with 33 percent of the vote, and just five months after the elections, we have 74 percent. I do not think we are doing too badly after all, do you? Our political adversaries are trying, and they are not lame. They are going to take advantage of the situation to get some partisan political benefit out of it. But that's okay, because it is part of the democratic process, to which we are all committed. That is not the problem.

"The problem is making sure that our political group, that we know what we are doing; that they share what we are doing and work at what we are doing. The results are not beyond the election period, which is why it is important to make the investment now. I want this party to win the next election, you can be sure of that, and I will do whatever it takes." [applause]

[Noli] Regarding the role of the opposition and the draft reforms to the Inter-oceanic Region Authority [ARI] law, Perez Balladares said:

[Perez Balladares] "The opposition has its place and has a role to play within the democratic system. Of course they do. But that does not mean it must oppose everything just because the government presents it. That is not the opposition's role. I mean, our legislators, during the previous administration, were much more effective than all of these other people, and they were just a small group of 10. They knew how to operate well in opposition. They knew how to operate constructively."

"I will give you an example: They are now talking about the ARI law. The newspapers, which reported on this daily as if it were the country's most important news, are managed by people with the same political tendencies as the man who currently serves as the ARI manager. The media, which in one way or another support this, also belong to the same political current. The unionist, a member of the board of directors who has rejected changes, also belongs to the same political current.

"It seems this political current is the one that has actually politicized the issue. We are trying to improve a law about which we made observations when it was still

a bill during the previous legislature, and that is what the party president stated. Our observations were heeded to such an extent that the next law—the one about modifications of the constitutional title—included many of our proposals on the ARI structure. The constitutional title states that the Canal administrator is appointed and removed by the president. This change was introduced.

"But they do not want this at ARI, because for them, independence entails having a person there who will oppose the executive branch, or a group of men who did not even support or agree with the treaties."

[Unidentified speaker] "Or with anything else." [laughter]

[Perez Balladares continues] "This will be a very good debate. It will also be constructive because we are proposing very substantive things. This is true, very substantive things. It is not as simple as an opposition legislator said days ago—I heard him yesterday or two days ago, or I read it somewhere, or if the grapevine works well and I am well informed [crowd laughs]—he said if the PRD wants the entire pie, then it should eat it all. It is not a matter of eating a pie. This man is completely mistaken. [chuckles] He is employing the terminology of his economic and political group. [unidentified speaker makes indistinct statement] [laughter]

"The goal is to try to turn those reverted goods into something—and we have said this for a long time—and to give them the greatest collective use possible. But this concept must be implemented. How can we find the best use of these goods for the most people? I sincerely think it will be done by ensuring the highest degree of profitability in order to redistribute the wealth we are able to create with those goods.

"Nor is the idea to turn this into a park to which everyone has access. We have no use for them; I mean, we do have a collective use, but not a profitable use for those goods. We must find a way to guarantee that those goods produce wealth and distribute it among the largest number of Panamanians possible."

[Noli] As for the characteristics the ARI administrator should have, Perez Balladares said:

[Perez Balladares] "We need someone who can serve as a promoter; who is able to get many people interested in doing many things in those areas. He should always bear in mind the concept I just mentioned: Wealth should be distributed among the largest number of Panamanians possible. This is not easily achieved, but I do have a pair of candidates in mind, because I know the Assembly will change the law."

[Noli] As for the members of the ARI board of directors, the Panamanian president stated:

[Perez Balladares] "I do believe that very important segments of our society have fought very hard to achieve the Canal treaties but are not represented in it. I think

the University of Panama should have a seat on that board of directors. I said this during my campaign; I am not announcing anything new. I am doing what I said I would do. I think the Legislative Assembly should have a director on that board of directors.

"I also think this board of directors and the duties it was assigned concentrate too much authority in the board of directors. Someone who aspired to become ARI administrator told me that in order to meet with members of the board of directors, each one had different demands. He had to pick one up in Colon, take another to lunch, call to make an appointment in the early morning, and a number of other things."

"This is the truth, it is not just a story. This gentleman told me: Look, I gave up my aspirations of being ARI director, because if that is the way they act just to decide to meet with me, and after reading the law that says they must make important decisions for the entire operation of the ARI, can you imagine what would happen tomorrow when I need an important decision? I would have to consult one in Colon, get up early in the morning to meet with another, invite a third to lunch or dinner. That would not work.

"The administrator of an institution like this must be able to make the decisions. Therefore, the board of directors must delegate. But that is not contemplated in the current law, and unlike private executives, public officials can only do those things the law allows. Isn't that so, my dear legal expert?"

[Unidentified speaker] "[Words indistinct]"

[Perez Balladares] "Well then, the private executives can do whatever the law does not prohibit them from doing. Therefore, it must be specifically stated that the functions of the board of directors can be delegated to the general administrator. The current law does not say so. These are the famous changes: the appointment of the director, the delegation of the board of directors' functions, the expansion of the board of directors, and the following fourth change: Decisions on ARI policy or decisions on the buying or selling of goods worth more than a specific amount, which we believe might be \$2 million, must have the approval of the president of the Republic. [applause]"

Prosecutor Gathers Evidence in U.S. Soldier Murder Case

PA0802182595 Panama City LA PRENSA in Spanish 8 Feb 95 p 2A

[Report by Jose Otero]

[FBIS Translated Text] District Attorney Dimas Guevara, of the Fourth Judicial Circuit, has announced that he is currently gathering evidence following the statements made by defendant Pedro Miguel Gonzalez. Gonzalez is charged with the 1992 murder of an American soldier.

The defendant is the son of Gerardo Gonzalez, president of the Democratic Revolutionary Party [PRD]. He surrendered to President Ernesto Perez Balladares at the end of January and was placed in the custody of the Attorney General's Office. Guevara, who is heading the investigation, said Gonzalez is being held by the National Police under strict security measures.

The official indicated that the questioning period concluded last week and that the next step is to collect and file all pertinent evidence.

The defendant is being held in connection with 10 June death of Oswell Zak Hernandez, an American soldier.

The soldier died when the military vehicle he was riding in was shot at by unknown individuals in Cilibre.

Guevara explained that the case file is presently being completed, as requested by the Second Court of Justice, and includes two other persons implicated in the bloody incident.

Carlos Carrillo, defense attorney for Gonzalez, has repeatedly said that his client has received threats against his life on several occasions, and he has demanded that the authorities increase police security measures.

Argentina

Executive Branch Calls for 14 May Elections

PY0902123595 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 2357 GMT 8 Feb 95

[FBIS Translated Text] Buenos Aires, 8 Feb (NA)—The executive branch has ordered that a second round of elections will take place on 11 June if another round is needed following the national elections on 14 May.

The legal document, which was released this afternoon, calls on the Argentine electorate to vote for president and vice president on 14 May.

The decree, which is signed by President Carlos Menem and Interior Minister Carlos Corach, establishes that a second round of elections will take place on 11 June if required.

In accordance with the constitutional reform that was approved in 1994, there will be a second round of elections, or balloting, unless one of the tickets achieves 45 percent of the votes or obtains 40 percent with at least 10 percent advantage over the ticket in second place.

The decree also calls Buenos Aires city electorate to vote on 14 May to elect 12 national deputies and eight alternate deputies to represent the city.

Di Tella on Falklands, Ecuador-Peru Conflict, Chile

PY0802225095 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1830 GMT 8 Feb 95

[FBIS Translated Text] Buenos Aires, 8 Feb (NA)—Foreign Minister Guido Di Tella today emphasized that the "tentative joint venture" between the national company YPF [Government Oil Deposits] and British Gas for oil exploration in the Malvinas Islands area "is very positive," but noted that "it depends on the success of the bilateral political negotiations."

Di Tella described as "positive" the fact that negotiations that had been "virtually terminated and closed last year have been reopened," thus allowing him "to be more optimistic than three months ago."

After supplying a two-hour report to the Senate Foreign Relations Committee and to other legislators as well, the foreign minister indicated: "There will be a number of stages throughout the year and, despite the fact that I believe they will be very difficult, I am more optimistic now than a few months ago."

The foreign minister pointed out that the Kelpers' stance toward joint exploration activities "shows a growing consciousness by the British and the islanders that Argentine cooperation is required."

Di Tella emphasized: "I believe this is positive."

The foreign minister added that the possibility of achieving an economic agreement before achieving a political agreement underlines "once again the fact that the British and the islanders need the Argentine continent for their own progress."

Di Tella also said he "fully" shares the remarks made by our ambassador in London, Rogelio Pfrter, that the Malvinas Islands will be Argentine by the turn of the century, noting that "this hope is not groundless, but is based on the progress achieved by the negotiations."

Di Tella also informed the legislators about the status of the Chilean protest over the recent Laguna del Desierto award, indicating that "they have a right to do so, but Argentina is sure that it will not lead to any change in the court's award."

Di Tella explained: "Chile has not filed any appeal, but a revision and interpretation petition that does not contain any new element that would allow one to consider something different than what is already known."

Concerning the Continental Glaciers issue, the foreign minister said this issue had not been discussed because it is being studied by the two Congresses, "and it will remain under study for however long is deemed necessary."

Di Tella also noted: "The sad war between Peru and Ecuador has been carefully reviewed, and the role played by the guarantor countries has been explained."

Di Tella added: "So far the facts have not borne out our optimism." He pointed out that the foreign ministers of the guarantor countries of the Rio de Janeiro Protocol are trying to "find a solution that so far has been very difficult to find."

Di Tella emphasized: "If there is not a diplomatic solution there will be a military solution to this issue. There will also be a number of possibilities that will be assessed as they arise."

Di Tella said: "As soon as the disengagement of Peruvian and Ecuadorian troops is approved, military and civilian observers will be sent to the conflict area."

Concerning the involvement of Argentine citizens in the attacks against Jewish targets, Di Tella said: "These are confidential issues." He explained: "It is unrealistic to believe that these are groups of foreign militants without any Argentine connections who have come, carried out an operation, and have left."

Di Tella noted: "Even though we believe this Argentine cooperation has been accessory, it is possible that it actually exists."

Concerning joint exploration activities in the Malvinas Islands, Justicialist senator Antonio Cafiero said: "If a political agreement is not reached first, Argentina will use all legal mechanisms to prevent this oil economic agreement from being implemented."

Foreign Ministry Cools Down Oil Exploration Controversy

PY0802222495 Buenos Aires CLARIN in Spanish 7 Feb 95 p 10

[Article by Oscar Raul Cardoso]

[FBIS Translated Text] Both YPF [Government Oil Deposits] and the Foreign Ministry proceeded with caution yesterday, pouring cold water on the possibility of undertaking a joint oil exploitation venture with the United Kingdom in the disputed waters of the South Atlantic. YPF said that the idea "is still up in the air," while a diplomatic source stressed that "no agreements" have yet been signed.

The only things missing to complete the recurrent political choreography that follows each move on the Malvinas board are a public outcry in the Malvinas Islands, and a statement that the Foreign Office generally dispenses on these occasions, reflecting its wait-and-see attitude.

Even if this is the case, it is difficult to hide that the possibility of "offshore" exploration by YPF and British Gas—with the possible incorporation of Petrobras [Brazilian Petroleum Corporation] later on—is the first proposal in a long time that advances toward solving the conflict, which has experienced only the slow and persistent return of tensions since the reestablishment of diplomatic relations at the beginning of the decade.

The government has not obtained very encouraging results after the Madrid agreement, and this has been recognized with gestures if not with words. The "freezing" of the dispute, agreed upon with London, has so far only been juridical fantasy. The fragility of Argentina's interests becomes obvious every time the issue of sovereignty appears in discussions on the control of resources.

Menemist diplomacy seems to have the batteries of its imagination somewhat run down when referring to this issue. Its most recent move in December—encouraging a new intervention by the United States—is like a confession, rendering proof unnecessary. Though remote, the prospects opened up by the oil companies could be a breath of fresh air in the enclosed environment that today characterizes the dialogue between London and Buenos Aires.

The initiative has ahead of it, however, question marks that will not be easy to erase.

Ever since Lord Shackleton mentioned the oil question in his famous report in the 1970's, the existence of energy reserves in the conflict zone has been, more than anything else, an intellectual suspicion. There is no certainty of the presence of oil and, in any case, experts have warned many times that the cost of exploiting it might make the enterprise uninviting. YPF estimates that each well might cost between \$20 and \$30 million, and that the undertaking would require a risk investment of nearly \$100 million.

The trend in the complex oil market over the past two years has been, however, to risk prospecting in areas of the planet that had not attracted companies before. Even in times of low prices, as recently, companies have challenged political uncertainties in the former Soviet Union, and have overcome the challenge of the guerrillas in Colombia, to continue exploring.

Perhaps the enthusiasm shown by Javier Estenssoro—the YPF president who started these speculations—was politically premature, particularly because nothing suggests that the islanders suffer any less from their anti-Argentine allergy, or that London is leaning toward the elimination of the veto power that the islanders have with respect to the conflict. But it is also true that one of the characteristics of our world today is that the voracity for profit has powers far exceeding any diplomatic peaceful intentions.

Article Examines Latin American Instability

PY0802213095 Buenos Aires LA NACION in Spanish 7 Feb 95 p 7

[Article by Joaquin Morales Sola: "Everything is Moving in an Uncertain Direction"]

[FBIS Translated Text] Latin America remains a region marked by extravagance. The international crash provoked by the unexpected devaluation of the Mexican peso—which offset the world's parameters of economic coexistence—has now been followed by the war between Ecuador and Peru over a border dispute dating back to colonial times.

Argentina, which is innocent of these mistakes this time, is not an indifferent neighbor; the new contagious situation could affect it from every angle.

For instance, the Mexican collapse has caused Argentina to experience distrust, to lose investors; and it has brought emphasis to unsolved issues in the Argentine economy. The Peruvian-Ecuadorian war could revive the fire of nationalism precisely at a time when the old Laguna del Desierto dispute with Chile has just been settled.

The main lesson taught by the Mexican crisis is precisely that world conflicts have become hyperglobalized. In fact, one could have assumed that the Mexican devaluation would shake the Americas. Yet its consequences were quickly felt in places as far as the Indonesian and Thai markets.

Bold Decision

U.S. President Bill Clinton's bold decision, in which he bypassed Washington's rigid political system to save Mexico, is only proof of the serious global situation provoked by a hasty decision made by the Mexican president.

The Clinton administration was in fact afraid of the advent of a crisis that would go beyond the Mexicans and

the Wall Street investors, should the Ernesto Zedillo administration declare a cessation of payments.

An old Washington diplomat said: Conditions were ripe for a repetition of the 1929 stock market crisis. Clinton's desperate decision, after being ignored and rejected by congressmen of his own party, also reflects the fragility of his political leadership.

The world in which Clinton is serving his term is even more fragile. Economic and political crises are not affecting the southern hemisphere alone. Instability is also beginning to affect the Asian tigers. The public debt in Sweden, Italy, and Canada—just to mention a few countries from the other hemisphere—is higher than their respective national budgets. In eastern Europe, Russia has become a black hole rather than a power. Uncertainty has also taken hold of China in light of the shaky health of its oppressive, nonagenarian leader.

If to this picture of unending fluctuations we add the end of the Brady era in the global economy—which was characterized by very low interest rates and by investors willing to take their capital to emerging countries—it may be stated that there was no exaggeration in the prediction that the 1929 crisis could have been repeated if Mexico did not stop its downhill slide.

Political Frictions

The Mexican conflict has not concluded. Major political frictions will ensue if Washington's decision turns out to be more like the incorporation of Mexico as the 51st state of the Union, an Argentine diplomat said. The U.S. Administration and Clinton himself have announced very tough economic conditions for Mexico in exchange for the U.S. taxpayers' money.

President Zedillo is, however, a man who has no power within his party's structure, which used to wield nationalist banners to protect genuine positions in some cases, or to protect bad leaders or interests in others.

Within the above global backdrop, the Ecuadoran-Peruvian conflict erupted over a border dispute that is older than their own poverty. There was not a single diplomat who initially did not blame Ecuador (which is seeking an outlet to the Amazon, just as Bolivia is seeking an outlet to the Pacific), for starting the war, encouraged by the fact that Peru is ruled by a president like Fujimori, who distorted the democratic process and rode against the prevailing tide in the region. Because he is unpredictable, Fujimori appears to be uncontrollable.

Border Conflicts

To start a war over a border conflict is like setting an arsenal on fire. Would they be able to put the fire out on time? This conflict could spread, because there are many other similar border disputes in Latin America.

Argentina has had disagreements with Chile since the beginning of its history, although most disagreements

were resolved recently; Venezuela argues with Brazil, Colombia, and Guyana over its borders; and Bolivia and Peru maintain old disputes with Chile over their territories. Central America has a geography in which one often does not know where a country ends and another begins. Things are not very much different in the rest of the world; just observe the permanent unstable equilibrium on the European borders.

War—a denial of life in any case—is consuming resources that neither Peru nor Ecuador have. Military experts maintain that no Latin American country (except Chile) has enough ammunition to endure more than five days of fighting; the price of weapons on the international market climbs inexorably for countries at war that must buy weapons without imposing conditions.

This is not simply an armed conflict between two isolated countries. Just as the Mexican rupture of the rules of the game placed the whole region in jeopardy, war over border claims could spread unfair distrust over the entire subcontinent.

Another ghost that is looming is the growing institutional weakness of some countries. Venezuela, which is governed by President Rafael Caldera—an elderly, tired man who defends ideas in fashion in the sixties—is suffering a deep financial crisis worsened by deep social problems and continuous military uprising.

Diplomats from several countries believe that Caracas is the most delicate point in the American continent from the institutional point of view.

Paraguayan President Juan Carlos Wasmosy is evidently beleaguered by a strong, overbearing military leader capable of ignoring the rules of protocol and respect befitting the office of civilian authorities.

This Paraguayan military chief, General Lino Oviedo, also carries the banner of nationalism: He had the DEA representatives in Paraguay expelled in a underhand and indirect manner, which indicates certain local roots of the Paraguayan crisis. He also pressured the Paraguayan Government to reject or postpone the Argentine proposal to privatize the Yacyreta binational hydroelectric dam.

Argentine Suspicions

The Argentine Foreign Ministry itself suspects that former Chilean de facto president and current Army Commander General Augusto Pinochet could have influenced Ecuador's decision to begin hostilities against Peru.

Argentine diplomacy is yet more convinced that Pinochet himself made the Santiago administration change its position regarding the ruling on Laguna del Desierto; President Eduardo Frei's administration first announced that it would not appeal the ruling, and then ended up doing so with terms harsher than expected.

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"The Chilean civilian administration told us that it could not do anything else. Then it changed its position," said a high-ranking official from the Argentine Foreign Ministry.

The old custom of isolation remains latent in the region. The military governments and the absence of democratic practice over the entire region during the seventies and most of the eighties have placed Latin America behind the rest of the world and behind in its own progress.

Following nearly a decade of intense social participation in the election of governments, and having become a region with many predictable countries, the new surprise factor is border disputes, growing militarism in several countries, and the uneasiness caused by the economic decisions made following the devaluation of the Mexican peso.

Remain Alert

Argentina is not involved in any of these cases, but it must remain alert. High-ranking Argentine Government officials maintain that the Argentina-Brazil axis must be reinforced to prevent any possibility of new devaluations. Many influential Sao Paulo businessmen are recommending a new exchange rate for the Brazilian currency.

Experienced Argentine diplomats recommend that Argentina make an effort to reduce tensions with the Frei administration to avoid the reinstatement of the cold relations that Santiago and Buenos Aires maintained in the past.

That is why the statements that Menem made recently, when he claimed intellectual paternity to the aid package to Mexico, were untimely and pretentious. His statements bothered the governments of Brazil and Chile, who are Argentina's partners in this initiative.

Prudence is now more a need than a virtue. Everything is moving in an uncertain direction.

Bolivia

Ecuadoran President Makes 'Surprise' Stopover in Santa Cruz

PY0802164895 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1418 GMT 8 Feb 95

[FBIS Translated Text] La Paz, 8 Feb (AFP-NA)—Bolivia remains neutral regarding the Peruvian-Ecuadoran conflict. This was stated by Bolivian Foreign Minister Antonio Aranibar after a surprise technical stopover by Ecuadoran President Sixto Duran-Ballen in Santa Cruz.

The Ecuadoran chief of state spent approximately 40 minutes in Santa Cruz airport during a technical stopover on the flight from Santiago to Quito at the end of a quick tour of Brazil, Argentina, and Chile.

Aranibar said Bolivia only want peace to return to that zone.

He added: "The hope of the Bolivian people is that the conflict between Peru and Ecuador be solved through consensus and that the bloodshed stops."

During his brief stay in Santa Cruz, Duran-Ballen said his government favors a cease-fire only if international observers can guarantee mutual respect for peace agreements.

The Ecuadoran president told journalists in Santa Cruz that, on 31 January, agreement was reached with the guarantor countries (Argentina, Brazil, Chile, and the United States), but Peru proposed some amendments "that rejected the presence of observers."

According to press reports, Duran-Ballen refrained from mentioning the Peruvian observations so as "not to complicate matters even further." He said that Ecuador has a right to review the document and that this is why he visited Brazil, Argentina, and Chile to explain his viewpoint to the guarantor countries.

Regarding Ecuador's request for the presence of international observers in the conflict zone, Duran-Ballen explained that this does mean the presence of troops of other countries but rather of observers who will guarantee the cease-fire measure.

According to the information received, the only Bolivian authority to welcome the Ecuadoran president was Santa Cruz Mayor Julio Leigue, of the Nationalist Revolutionary Movement of President Gonzalo Sanchez de Lozada.

Ministry: Peru Informed of Stopover

PY0902130095 La Paz Radio Cadena Nacional
Network in Spanish 1100 GMT 9 Feb 95

[FBIS Translated Text] Foreign Minister Antonio Aranibar has said that prior to the technical stopover of Ecuadoran President Sixto Duran-Ballen at the Viru Viru Airport in Santa Cruz, he informed Peru of the arrival in order to prevent suspicion and to guarantee Bolivia's neutrality.

The Ecuadoran president was received in Santa Cruz by the city mayor during a brief technical stopover of his plane on its return to Ecuador after visiting Brazil, Chile, and Argentina to explain his country's version of the conflict between Ecuador and Peru.

Brazil Approves Extradition of Ex-President Garcia Meza

PY0802210095 Madrid EFE in Spanish 1837 GMT
8 Feb 95

[FBIS Translated Excerpt] La Paz, 8 Feb (EFE)—Bolivian Foreign Minister Antonio Aranibar received today with satisfaction the ruling of the Brazilian

Supreme Court approving the extradition to Bolivia of ex-de facto President Luis Garcia Meza to serve a 30-year sentence.

"We were not expecting anything else because we had confidence that the Bolivian petition would be met satisfactorily," said Aranibar upon confirming the Brazilian Supreme Court ruling approving Garcia Meza's extradition.

Aranibar said that the court decision "does confirm the clear treatment given to this case by Brazilian justice." Aranibar also explained that some requirements must still be met before transferring Garcia Meza to the Chonchocoro high security prison located in the altiplano of La Paz.

Aranibar also explained that the government must wait for the publication of the act and of the Supreme Court ruling in the official gazette before Garcia Meza can be brought back. [passage omitted]

Brazil

Weapons Bound for Peru Found in Russian Plane

PY0902003195 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 8 Feb 95

[FBIS Translated Text] The Federal Police (PF) have found weapons and ammunition in a Russian plane that made an emergency landing in Fortaleza, Ceara State. The Russian Aeroflot cargo plane left Moscow bound for Lima, Peru's capital. At about 1700 GMT the plane, which had almost no more fuel, was forced to make an emergency landing in Fortaleza. As an Aeroflot cargo plane had never landed at the Pinto Martins Airport before, and the PF had not been informed of the landing, PF agents suspected that the cargo could consist of materiel. They thus decided to retain the plane. For four hours PF agents and experts tried to inspect the boxes inside the plane, but the Russian commander would not allow them to do so.

The PF are now waiting for the Foreign Ministry's authorization to unload the cargo and inspect it on the Pinto Martins Airport grounds.

The PF agents who entered the Aeroflot plane confirmed that the cargo really consists of weapons, ammunition, and even helicopter turbines. They believe that the Russian crew wanted to make a short stopover in Fortaleza to fill the tanks, and then continue the trip without raising Brazilian officials' suspicions.

Itamaraty has ordered the release of the Russian plane that was been held back in Fortaleza. Here is Alexandre Garcia's live report from Brasilia:

[Garcia] A foreign plane can fly over Brazilian territory carrying weapons and ammunition as long as it has

permission to do so and is not bound for a region at war. Some time ago a Libyan plane was detained in Recife for going against this rule.

In the Russian plane's case, the PF contend that the cargo, and not the plane, has been seized. They are charging the plane with carrying products that are forbidden under Brazilian law. According to the PF, the transportation of war helicopters and weapons are banned by Brazilian law.

Brazilian military sources have reported that Peru is Russia's largest purchaser of materiel in South America, and that it purchases mainly armored cars, artillery parts, and fighter helicopters.

Tonight Itamaraty reported that the cargo and the plane have been freed, because according to Itamaraty, the Russians had requested permission to fly over Brazilian territory and declared that the cargo consisted of helicopter parts. The PF still have to be informed of Itamaraty's decision to free the plane.

Government Creates Chamber of Foreign Trade

PY0702125595 Sao Paulo AGENCIA ESTADO in Portuguese 2308 GMT 6 Feb 95

[FBIS Translated Text] Brasilia, 6 Feb (AE)—President Fernando Henrique Cardoso today signed a decree creating the Chamber of Foreign Trade, which will implement every government action on imports and exports. The chamber will operate within the jurisdiction of the government cabinet, and will formulate policies and coordinate activities on goods and services.

Presidential spokesman Sergio Amaral will serve initially as the executive secretary of the Chamber of Foreign Trade. This is the third chamber to have been created by the government. The Chamber of Regional Policy and the Chamber of Economic Policy are already operating. The chamber system, which has been adopted by Cardoso's team, seeks to unify government actions.

The Chamber of Foreign Trade will comprise the ministers of foreign relations, finance, planning, industry and commerce, and agriculture. The Central Bank president may also participate. The chamber is expected to hold its first meeting early next week.

The following are some of the powers of the Chamber of Foreign Trade: To state its opinion on legislation; to outline guidelines on import tariffs; to investigate unfair practices; to define mechanisms to prevent an abrupt increase in imports; and to discuss the impact of exchange, fiscal, and monetary measures. Like the other chambers, the Chamber of Foreign Trade will be presided over by Civilian Household Chief Clovis Carvalho.

Presidential Decree Suspends Investment Spending

PY0802210895 Sao Paulo AGENCIA ESTADO in Portuguese 2247 GMT 7 Feb 95

[Report by Odail Figueiredo]

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[FBIS Translated Text] Brasilia, 7 Feb (AE)—A decree signed by President Fernando Henrique Cardoso and published in today's DIARIO OFICIAL has suspended investment by ministries, autonomous state organizations, and federal government foundations through the end of the first quarter. The decree established the first quarterly program of government expenses since the 1995 Union Budget was approved on 19 January. In addition to suspending investment, the decree limited government cost expenditures to 3.8 billion reais [R] through the end of March, excluding personnel expenses. This ceiling amounts to only 15 percent of total scheduled cost expenditures.

In addition to trying to cover a budget deficit estimated at R9.6 billion, the cut in public spending aims at reducing the overall demand in the economy, reduce consumption, and consequently reduce inflationary pressure and the trend toward creation of a deficit in the balance of payments (adding up the trade balance and services and financial transactions with foreign countries).

After the collapse of the Mexican economy, which has caused a capital drain from developing countries, the government reconsidered the strategy of permitting the creation of large balance of payment deficits, fearing it would be unable to finance the negative balance of external accounts.

The reduction in demand is one of the government instruments for braking the accelerated growth of imports. The purchase of merchandise from abroad has rapidly increased because of the exchange rate stability, which is the main foundation of the Real Plan. In light of the fact that a devaluation of the Real is not being considered—because it would cause price increases—the government is studying other measures for a direct reduction of consumption, as Economic Policy Secretary Jose Roberto Mendonca de Barros said last week.

Investment

Investment scheduled in the 1995 budget amounts to R8.9 billion, but the actual investment figure may fail to reach this amount. Federal Budget Secretary Waldemar Giomi said that in the first quarter funds will be released only for ongoing projects. "No new project will be initiated," he said, adding that the government's economic area wants to reevaluate the cost of government-contracted projects. "We will face much pressure," the secretary admitted.

The releasing of funds will depend on Planning Minister Jose Serra, who is already facing the discomfort of lawmakers and governors over the R3.2 billion cut he announced 20 days ago. Discussion on the release of funds for ongoing projects will begin on 15 February with the federal organs that are responsible for the projects. At the end of March, the government will issue another decree establishing the quarterly program of expenditures until December.

Cuts

The Transport Ministry has been most badly affected by the investment cuts, which will not affect state-run companies, except for those that depend totally on Treasury funds, like the Brazilian Company of Urban Trains (CBTU). The cuts will not affect the payment of matching funds and external financing granted by international organizations like the World Bank (IRDB).

The reduction of current expenses—like electricity, water, telephone, office materials, and hospital bills—will not apply to social security allowances or to fund transfers to state and municipal governments that are provided for in the Constitution. The spending of federal organs' own funds and government credit operations, like financing of harvests, will not be affected, either.

According to Giomi, the economic team also preserved the expenses that cannot be postponed, like the payment of scholarships and the purchase of schoolbooks by the Student Assistance Foundation (FAE), of the Education Ministry, at the beginning of the school year. Giomi believes that the government will have no difficulties eliminating the deficit estimated in the budget. According to him, quarterly expenditure programs will include additional cuts in cost expenditures, which are expected to reach R30 billion. In 1994, he said, such expenses were estimated at R26 billion, but actual expenditures reached R13 billion.

Cardoso Vetoes Minimum Salary Increase

PY0902124595 Sao Paulo AGENCIA ESTADO in Portuguese 0024 GMT 9 Feb 95

[Report by Itamar Garcez]

[FBIS Translated Excerpt] Brasilia, 8 Feb (AE)—President Fernando Henrique Cardoso today vetoed the draft bill approved by Congress which increases the minimum wage to 100 reais. The president waited the maximum period established by the Constitution, 15 working days, before vetoing the legislative branch proposal.

Senators and deputies must now confirm the president's veto. To overrule the presidential veto, they need a majority at the Chamber of Deputies and at the Senate during two voting sessions—one in each house. Thus, 257 deputies and 41 senators will have to vote against the presidential veto. Voting in this case is secret. Senator Jose Sarney (Brazilian Democratic Movement Party - Amapa State) will conduct the session that will discuss Cardoso's veto. The session has not been scheduled yet. [passage omitted]

Cardoso Approves Amnesty for Lucena, 14 Other Congressmen

PY0902021895 Sao Paulo AGENCIA ESTADO in Portuguese 1903 GMT 8 Feb 95

[Report by Joao Domingos]

[FBIS Translated Text] Brasilia, 8 Feb (AE)—As promised, President Fernando Henrique Cardoso has approved the amnesty for Senator Humberto Lucena and 14 other congressmen who were sued for irregular use of the Senate's printing shop. With the president's sanction the draft bill has now become Law 9985, which was published today in the DIARIO OFICIAL DA UNIAO. There was no veto of the law, which has four articles and is all that is needed to pardon the politicians, who were sued for crimes against the Electoral Law.

Deputy Luiz Gushiken (Workers Party, Sao Paulo), who voted against the measure in the Chamber of Deputies, protested: "President Fernando Henrique Cardoso has sanctioned immorality." Gushiken insisted: "The president could have used his veto prerogative to reestablish morality." Sergio Machado (Ceara State), leader of the Brazilian Social Democracy Party in the Senate, believes President Cardoso was fair. Machado did not participate in the vote in the Senate because he did not occupy his seat until 1 February.

Law 9985 has given back to Lucena his political rights. The Superior Electoral Court (TSE) had suspended the political rights of Lucena as well as those of Ney Maranhao, who had been found guilty and sentenced by the Pernambuco State Regional Electoral Court. Maranhao had over 500,000 notebooks printed in the Senate printing shop, and had distributed them during the electoral campaign.

Other senators who were being sued for the same reason—such as Carlos Patrocinio (PFL-TO) [Liberal Front Party, Tocantins State] and Henrique Almeida (PFL-AP) [PFL, Amapa State]—were also "saved" by Cardoso's sanctioning of the amnesty. The two openly campaigned to convince deputies to endorse the Senate's decision and grant them amnesty. Patrocinio was reelected, but Almeida was not.

More on Amnesty

PY0902031895 Sao Paulo AGENCIA ESTADO in Portuguese 1903 GMT 8 Feb 95

[Report by Joao Domingos]

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PFL Deputy Magalhaes Elected President of Chamber

PY0602200795 Rio de Janeiro JORNAL DO BRASIL in Portuguese 3 Feb 95 p 3

[Report by Ilmar Franco]

[FBIS Translated Excerpt] Brasilia—Luis Eduardo Magalhaes (PFL-BA) [Liberal Front Party-Bahia], the new president of the Chamber of Deputies, has stated that his election to this post will not result in the subordination of the legislative branch to the executive branch. In his speech to the plenum, which was followed in silence by his colleagues, Magalhaes said that the legislature will again have political initiative, and that it will become a major political decisionmaking center in the country. He said: "I am free and independent. It would be a serious drawback for me to be submissive at my age." He was elected president of the Chamber of Deputies after defeating Workers Party candidate Jose Genoino (Sao Paulo) by a vote of 384-85, with 32 blank votes.

Magalhaes, who is second in the presidential succession line following Vice President Marco Maciel (PFL), was strongly applauded. He criticized the proliferation of Provisional Measures [MP's], but did not specifically refer to the 14 MP's that have been reedited by the government in the past five days. He said: "We oppose the indiscriminate use of MP's, because they reflect an efficient executive branch and an inefficient legislature." He added that he will make every effort to have major proposals voted on on a timely basis. [passage omitted]

The following deputies have also been elected members of the board: Ronaldo Perim (PMDB-MG) [Brazilian Democratic Movement Party], as first vice president; Beto Mansur (PPR-SP) [Progressive Renewal Party-Sao

Paulo], as second vice president; Leopoldo Bessone (PTB-MG) [Brazilian Workers Party-Minas Gerais], as second secretary; and Joao Henrique (PMDB-Piaui), as fourth secretary. Alternate members are: Robson Tuma (Liberal Party-Sao Paulo), Luiz Piauhyllino (Brazilian Socialist Party-Pernambuco), Vanessa Felipe (PSDB-RJ) [Brazilian Social Democracy Party-Rio de Janeiro], and Wilson Braga (PDT-PB) [Democratic Labor Party-Paraiba]. Because of internal disputes between the PSDB and the PP [Popular Party], the positions of first and third secretaries will not be filled until 15 February.

Reduces Party Leaders' Power

PY0802125395 *Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 8 Feb 95*

[FBIS Translated Text] Chamber of Deputies President Luis Eduardo Magalhaes has announced that he will strictly discount from the deputies' salaries for the sessions they fail to attend.

He also said he will assume the attribution—granted by a Congress regulation—to define the order of the day, that is, the list of bills that will be voted on during each session.

By reducing the power of the congressional party bloc leaders, Luis Eduardo Magalhaes will prevent them from holding endless meetings to attempt to obtain consensus on controversial subjects and which end up by not being voted at all.

PT Note Criticizes 'Neoliberal' Proposals for Reform

PY0302171095 *Sao Paulo AGENCIA ESTADO in Portuguese 2201 GMT 27 Jan 95*

[Report by Lucia Helena Gazzola]

[FBIS Translated Text] Sao Paulo, 27 Jan (AE)—Two days after discussing the orientation to be given to the party in 1995 and 1996, the PT [Workers Party] national board released a note tonight explaining its position against the "neoliberal plan" chosen by the administration of President Fernando Henrique Cardoso (Brazilian Social Democracy Party), and urging democratic and popular forces to exert pressure on the national Congress to prevent the consolidation of that plan. The note cites the constitutional reform proposed by the government as a way of "deconstitutionalizing" the country. Acting PT President Rui Falcão asserted that in the next few weeks his party will campaign with other popular movements for a \$100 minimum wage.

Falcão did not want to analyze the eight changes to the Constitution that were defended on 26 January by Planning Minister Jose Serra in a debate with the Brazilian Democratic Movement Party [PMDB]. He said: "Everyone knows that we are against a state monopoly in the oil and telecommunications areas, but we would rather not comment on Serra's proposals, because they are still

unofficial. We will wait until the government officially defines what it is planning to change to comment on the issue."

The note, however, leaves no doubt about PT opposition to the reforms. It states: "...deconstitutionalization means reforming the Constitution to consolidate the neoliberal model. The government thus plans to grant more freedom of action to international capital, to make state monopolies more flexible, to privatize strategic areas, and to revoke social achievements such as public employees' job stability and retirement based on seniority."

The note adds that the beginning of the Cardoso administration has been marked by immobility and by things that are frustrating the people's hopes. It cites, among other examples, the "immoral" salary increase granted to congressmen and the president of the Republic, the plans to veto the minimum wage readjustment, and the amnesty granted to Senator Humberto Lucena (PMDB-Paraiba). The note states that the Mexican and Argentine crisis should be considered a warning, and that Brazil should not adopt the same economic model: "The economic policy the government is testing, which is based on those same principles, could generate temporary stability, but is incapable of ensuring stability with development and a fair distribution of wealth."

The PT wants the exchange policy to be reviewed, the economic opening rationalized, the financial system reformed to channel capital toward the productive area, and a progressive fiscal policy levied on large fortunes. It also calls for reforms in the agrarian, urban, and political areas, as well as a reformed judicial branch. The PT national board also believes that it is necessary to democratize the means of communication.

First Proposals for Constitutional Reform Submitted

PY0802221195 *Rio de Janeiro JORNAL DO BRASIL in Portuguese 8 Feb 95 p 1*

[FBIS Translated Text] Justice Minister Nelson Jobim has sent Francisco Dornelles, Progressive Renewal Party leader, and Jacques Wagner, Workers Party leader, the first five proposals for constitutional reform. The measures, which refer to the economic order, will radically change the economy if they are approved. They include: a new definition of the concept of a Brazilian company; an end to the monopoly over telecommunications services; the opening up of mineral resources exploitation to foreign capital; an end to state control over piped gas distribution; and also an end to exclusivity in the area of coastal shipping transportation for national enterprises. Proposals linked to the end of the government monopoly over oil exploitation, and to modifications that would allow state-owned companies to go bankrupt or call a composition of creditors, however, have not been submitted.

Former Minister Describes Congressional Pressure Blocs

PY0302150895 Rio de Janeiro JORNAL DO BRASIL in Portuguese 2 Feb 95 p 16

[FBIS Translated Text] During the Jose Sarney administration, PFL [Liberal Front Party] leader Deputy Humberto Souto (MG) [Minas Gerais] entered the office of then Finance Minister Mailson da Nobrega to ask for his support for the approval of a bill being discussed in the Chamber of Deputies to pardon farmers' debts with the government. Mailson condemned the bill, as it would represent a loss worth millions of dollars for the Treasury. Souto then threatened Mailson: "You can be sure that the bill will be approved even without government support." And such was the case.

This story illustrates the power of the congressional blocs. In his computer in Sao Paulo, Mailson da Nobrega keeps a file on the blocs that, according to him, "exert pressure for their narrow interests." The formation of blocs that do not correspond to political groupings weakens the political party system. "It demonstrates the political division in Brazil," Mailson da Nobrega said.

"Coalitions do not work to approve a bill, but to veto one. They can veto anything that goes against their interests."

The rural bloc continues to be, according to the minister, "the most backward." This bloc, he says, is always interested in three basic points: fiscal exemptions, fiscal incentives, and subsidies. Other blocs are those for the northeastern area, the Amazon (from the Manaus free zone), the central west area, health, the railroad system, ports, Petrobras [Brazilian Petroleum Corporation], the Protestants, and even union leaders, businessmen, and government employees.

The rural bloc is divided into coffee, sugar, and chicken blocs. It defends subsidies for the transportation of wheat in Ceara State. "They behave demonstrating the worst side of corporatism, as they want to obtain government favors beyond the normal mechanisms, thinking they are acting in a legitimate manner," Mailson says.

Central Bank President Interviewed

PY0702190095 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Feb 95 p B4

["Main excerpts" of interview with Central Bank, BC, President Persio Arida by Suely Caldas in Sao Paulo; no date given]

[FBIS Translated Text] [Caldas] The president of the Republic has vetoed the increase in the minimum wage to 100 reais [R]. Was Congress taking a demagogic approach when it approved the increase?

[Arida] In the first place, the vetoed bill not only increased the minimum wage to R100, but established a

monthly indexation of salaries. Under the present circumstances, the two measures are clearly demagogic and contrary to the stabilization plan, which provided the workers with tangible gains. Inflation today stands at less than 1 percent monthly, and the basic food basket—which is a good reference for measuring the purchasing power of the less favored classes—today costs less than when the Real Plan was launched. The assumption by many congressmen is that the income distribution problem would be resolved by simply changing a law. This is absolutely wrong. If everything were that easy, you may rest assured that the problem would have already been resolved, and the minimum wage would now be at R500 or R1,000 monthly. Any socially sensitive person is in favor of improving the distribution of income, but the best way of doing this is by promoting growth and by reducing inflation, not by decree. The salary policy most beneficial to workers is that which advocates free negotiations and a lack of rules.

[Caldas] Under the law, the minimum wage will be not adjusted until 1 May. Could there be any increase before that date?

[Arida] I would say that if conditions permit it and there are no threats to the stabilization plan—and only in this case—would the minimum wage will be increased.

[Caldas] So far the Real Plan has generated salary gains, income distribution, economic growth, and more jobs. This honeymoon situation is, however, threatened today by rising demand and by the strangling of the installed production capacity of several industrial sectors.

[Arida] We do not want any extreme situation. The economy is truly quite heated up and moving toward a very high growth rate. It must cool off and move toward a lower growth rate. This should be peaceful and would not entail promoting recession. The fact is that a lower growth trend is easier to support. That is all.

[Caldas] What should the government do to help expand those sectors that have already exhausted their installed capacity?

[Arida] An atmosphere of economic stability is already a strong incentive for investments. No one will make investments overnight. It is important for us to maintain the atmosphere of stability. The law on franchising and the Long Term Interest Rates (TJLP) are two major factors in promoting investments in the country. We are planning other things, but I would rather not announce them at this time.

[Caldas] In January the country lost nearly \$2 billion in foreign capital, and our international reserves are declining. How do you view the impact of the Mexican crisis on Brazil?

[Arida] There have been two different implications. The first is a more substantive one, because the trend now is that there is lower financing for deficits in current

accounts than there was in 1993 or 1994. It is complicated to have a large deficit financed by short-term capital, and it is even more complicated to let this situation continue for a long time. Had Brazil accumulated large deficits in current accounts over these years, it would have experienced a situation similar to that of Mexico, but this has not happened.

[Caldas] The Mexican warning has caused an increase in the number of those claiming that the foreign trade opening should be revised.

[Arida] In general terms, I believe the opening should be maintained. It is beneficial because it encourages competition and technological improvement. It should be revised only in certain cases. For instance, if Brazil is opening its economy while its trading partner is not, it would be worth taking measures within the context of those bilateral relations. There are cases of dumping that call for protectionist measures. There are cases in which the pace of the economic opening should be slowed down in exchange for larger investments by the respective industrial sector. Yet, as a philosophical rule, as a guideline, the more open an economy the better, not only in the area of goods and services, but also in the financial sector.

[Caldas] Will you explain how a financial opening can be implemented?

[Arida] The financial sector—namely banks and insurance companies—is very much closed, because the Constitution froze foreign participation at the levels of 1988. In light of that constitutional restriction, a true opening of the economy was more intense than that of the financial sector.

[Caldas] Is the government planning to send to Congress an amendment proposing the opening of the financial sector to foreign capital?

[Arida] The government has every interest in promoting the opening of the financial sector, but I would rather not comment on how to do this.

[Caldas] Former Finance Minister Mario Henrique Simonsen, who had openly endorsed the economic plan, is now beginning to criticize it. He says that when market factors were pushing the dollar downwards, the BC allowed the dollar exchange rate to be regulated by the market. Now, when that situation has been reversed, and the dollar has an upward trend, the BC intervened by allowing the dollar rate to oscillate between R0.83 and R0.86, and overlooked its earlier allegation that the dollar exchange rate must be regulated by the market. Simonsen finds it inevitable that the exchange rate be adjusted, and advises the government to let the market start doing it gradually now. This, he said, is preferable to postponing the problem and having to do a sharp adjustment like that of Mexico. How would respond to his criticism?

[Arida] I have great respect and admiration for former Minister Simonsen. Yet it is not incumbent upon me, as BC president, to publicly discuss the exchange course. Your question is, however, timely. It is important for the BC to keep an eye on the deficit in current transactions, and ultimately on the amount of net capital needed in our foreign trade. The exchange rate certainly plays an extremely important role in the final deficit outcome. Yet it is not the only factor. There are elements of a regulatory nature, such as the changes in the terms of the Advances on Exchange Contracts (ACC), which have an impact on exports and, therefore, on current transactions. There is also a third element called domestic absorption; that is, when the economy gets overheated, its performance in current accounts declines. I am citing these three elements to say, first, that we are permanently keeping in sight the final result; and second, that the combination of these three elements—exchange rate, domestic absorption, and regulatory instruments—represents a true artistic form of economic policy. It must be thought out every step of the way. The fourth aspect of the issue deals with the nature of the deficit financing mode. One thing is to finance the deficit with long-term loans, and another altogether different thing is to use short-term loans.

[Caldas] Based on these three elements of economic policy, would you as BC president guarantee that, by the end of 1995, Brazil will not move closer to Mexico's situation?

[Arida] The 1994 economic team will not change in 1995. In 1994 we had a deficit in current accounts (\$1.079 billion) equivalent to 0.2 percent of the Gross Domestic Product (GDP). Mexico's deficit accounted for 8 percent of its GDP. Our assurance should stem from the fact that in 1994 we were prudent in handling our external accounts. Why should we provoke an absurd deficit in 1995? There is no reason for Brazilians to worry about what will happen this year.

[Caldas] How about the loan for Mexico? Is it going to be approved or not?

[Arida] Your question allows me to comment on some criticism of that loan. First, our Constitution envisages cooperation with Latin American countries; and second, central banks have for decades coordinated their actions in developed countries. There is no reason for Brazil to be afraid of this. To be afraid would mean an inconceivable act of isolation in a modern, integrated economy. The critics are unaware of the terms of the loan, or of the types of guarantees being considered. Because the loan is still in the process of consideration. To claim that it is a shame without even knowing its details is hasty, to say the least. The procedure could entail a direct loan or another form of the classical management of reserves by the BC. In any case, we will give every explanation needed to the public.

[Caldas] That is, the loan is approved, because it is more likely for it not to be approved. Isn't it?

[Arida] If it is approved obviously.

[Caldas] What does the future hold for Sao Paulo State Bank [Banespa], Rio de Janeiro State Bank, and the other state banks that are under BC intervention?

[Arida] The special temporary administration expects the trustees to complete the balance sheets of the banks and the necessary provisions for their normalization. These measures will more likely include the amount of capital the ought to be supplied to these banks by the majority shareholder, the state government. We will then talk with the state government officials to determine whether it can supply that capital and if it can take charge of the bank administration again. If the answer is negative, the law provides that the bank could either be privatized or placed under the federal government.

[Caldas] Can Banespa be privatized?

[Arida] It is too early to engage in such discussions. I do not want to prejudice the report that is being prepared, neither its conclusions nor its consequences. The fact is that the report by the trustees is due by the end of this month and, although it may be postponed, we plan to act as quickly as possible.

BC President Seeks To Change Financial System

PY0802202795 Sao Paulo GAZETA MERCANTIL in Portuguese 6 Feb 95 pp 1, 18

[Article by Claudia Safatle in Brasilia]

[FBIS Translated Excerpt] Central Bank [BC] President Persio Arida is deeply involved in the structural changes of the Brazilian economy. Arida has a gigantic task before him. As an economist, he graduated from the University of Sao Paulo, and obtained his Ph.D. degree from the Massachusetts Institute of Technology (MIT) in Boston, USA. Arida described to GAZETA MERCANTIL some of his work projects and, certainly, potential political conflicts:

- To change the operation pattern of the financial system. The idea is to eliminate every "quasi-currency" and create a significant market of banking reserves. The objective is to increase the demand for currency, which is today high among the public but small on the financial market. To achieve this Arida proposes radical alternatives, such as having the BC discontinue the issuance of bonds and start attracting banking reserves directly.
- To restructure the BC to make it more autonomous.
- To end a 12-year period of laxity on the part of the BC with regard to state banks, and to restore order in those banks. He said: "That problem started with the 1982 election as a result of a combination of populist electoral cycles and of the BC's lack of independence."
- To transfer the stabilization burden from the BC to the Planning Ministry; that is, responsibility for the

monetary and exchange policy and fiscal adjustment, over which Planning Minister Jose Serra now has primary responsibility.

—As a leading formulator of the economic policy, to define the balance of payments strategy and the subsequent direction of current account deficits. Arida has a clear opinion of the problem that shook Mexico. He said: "I have never spoken in terms of current account deficits. The world is not inclined to finance large deficits." Arida did not speak about it, but Finance Minister Malan and BC Director Gustavo Franco did.

In addition to the above projects, Arida said that "the inflation drop has brought about another agenda for Brazil." For two weeks Arida has been working on a rescue operation for Mexico. He conferred with U.S. Treasury Under Secretary Lawrence Summers when the initiative was raised for Brazil, Argentina, Chile, and Colombia to give a \$1 billion loan to Mexico. In recent days Arida was engaging in daily conversations with his U.S. counterparts to define how and when will Brazil participate in the protection system proposed for Mexico.

Having had seven months of low inflation allows us to work on a new agenda, Arida said. He added that if the government can implement it in the next few months, it may claim that it has accomplished a mission. He said: "Stabilization would have been consolidated then." Otherwise, it will not be consolidated. The main task is to create a balanced fiscal system.

To change the operational procedures of both the financial system and the BC represent in fact undoing in the area of financial brokerage those ingenious sets of rules dating back to the 1970's, which were in practice instrumental in preventing the washing away of domestic savings amid a high inflation regime. The objectives behind his proposal are simple: to end the systematic risk posed by financial brokers and to increase the demand for currency.

Arida said: "Whenever there was a difference between the buying rate and profit rate of bonds, there were large profits or losses. If the loss was too large, it could cause a systematic risk, and the BC had to go the rescue. Any profit would go to the financial brokers. There was then ultimately no risk, with the exception of the action of the black sheep." As the institutions operated with a huge leverage—of up to 30 times their assets—the risk in certain periods was them to go bankrupt with their assets. The BC would not allow a chain of bankruptcies and would mitigate the situation.

The indexed currency was created under the above system. Arida said: "Now that we have stabilization, we must eliminate currency substitutes and create a market of banking reserves. In exchange, agents must have a clear perception of the high cost of not having reserves. There is thus an element of risk in their inclination to

buy government bonds or to give liquidity to their liabilities." [passage omitted]

Reserves Not To Be Used in Infrastructure Investments

PY0702141295 Sao Paulo FOLHA DE SAO PAULO in Portuguese 2 Feb 95 Section 1 p 5

[Article by Marta Salomon]

[FBIS Translated Text] The government will not use part of its hard currency reserves to make investments. This was one of the promises of then Presidential Candidate Fernando Henrique Cardoso.

The government has reduced by 20 percent the total investments it planned for infrastructure programs, which were supposed to amount to 100 billion reais [R] throughout the next four years.

Cardoso's program, which was announced during the election campaign, foresaw R20 billion from the hard currency reserves used to finance investments.

This is one alternative to the lack of resources for the budget. Brazil currently has \$38 billion in reserves.

The economic team has vetoed the proposal to use part of the hard currency reserves in investments.

The campaign promise was broken at the beginning of this week when Presidential Spokesman Sergio Amaral discreetly ruled out the use of the hard currency reserves to finance infrastructure investments when he explained the government's intention to lend \$300 million to Mexico.

Rebutting criticism by congressmen, Amaral said the government has ruled out the use of reserves in internal investment because it would generate inflation.

The government would have to transform dollars into reais, increasing the money circulating in Brazil. Economists believe this would increase consumption and cause prices to climb.

The Planalto Palace version totally contradicts the campaign promise, but it has the total support of the economic team which always opposed the use of reserves. The proposal was made by Fernando Henrique Cardoso in his book "Getting to Work," which details his government platform.

FOLHA DE SAO PAULO found out that the goal of investing \$100 billion in transportation, energy, and telecommunications promised during the election campaign is considered an overestimated preliminary calculation. There is no official estimate of how much the Cardoso administration will invest.

During the election campaign, the figures were considered "realistic" by government platform coordinator and current Education Minister Paulo Renato de Souza.

Paulo Renato Souza, who has a degree in economics and is a former Inter-American Development Bank operations manager, drafted the proposal adopted by Fernando Henrique Cardoso to use part of the reserves to create a Development Financing Fund.

The fund, according to the government program, would have served to finance imports of goods and services.

When the goal of investing \$100 billion in infrastructure was announced, the Cardoso team exuded optimism, but this was before the Mexican economy collapsed.

Paulo Renato Souza, Cardoso's government program coordinator, said Brazilian reserves—which were estimated at \$40 billion by September last year—could amount to \$50 billion during the Cardoso administration.

It was then thought that something like R20 billion (or \$20 billion as it was considered that the real and the dollar would have a 1 to 1 parity) could be used for infrastructure. The remaining \$30 billion would have been enough to pay the debt and maintain the financial market.

Cardoso's team said it would seek a formula for using reserves without flooding the market with reais which would fuel the inflation. His team could not find such a formula because the reserves have since then declined.

Cardoso Fires Ambassador to Panama Over Dollar Fraud

PY0902123795 Sao Paulo AGENCIA ESTADO in Portuguese 2147 GMT 8 Feb 95

[Report by Aldo Renato Soares and Itamar Garcez]

[FBIS Translated Excerpt] Brasilia, 8 Feb (AE)—President Fernando Henrique Cardoso today removed Brazilian Ambassador to Panama Mauro Sergio da Fonseca Costa Couto from his office. A Foreign Ministry investigative committee has found Costa Couto guilty of irregularities during his tenure as ambassador to Iraq between 1989 and 1991. As Brazilian ambassador to Iraq, Costa Couto sold the dollars sent to him from Brazil on the Iraqi parallel market, declared he had sold them at the official exchange rate, and deposited the difference in a Swiss bank account. The newspaper CORREIO BRAZILIENSE reports today that this maneuver cost the Brazilian Government \$1.5 million.

Rene Loncan, who served under Costa Couto in Iraq and who is currently serving as minister counselor at the Brazilian Embassy in La Paz (Bolivia), was also found guilty. Because Loncan's position is not a presidential appointment, he will be placed at the disposition of the Foreign Ministry. [passage omitted]

Finep Signs 5 Science, Technology Accords

95SM0111C Rio de Janeiro JORNAL DO BRASIL in Portuguese 22 Dec 94 p 18

[Article: "Finep Signs Five Agreements for Scientific Projects"]

[FBIS Translated Text] Five agreements that were signed yesterday will make possible the execution of scientific and technological projects by Brazilian researchers. The programs provide for the construction of a 100-percent domestic satellite, the use of high-powered computers in various applications, and incentives for the discovery of new antituberculosis drugs, among other things.

The agreements call for funding in the amount of 5.9 million reais from the National Fund for Scientific and Technological Development (FNDCT). The most important project is the one providing for construction of the Scientific Observation Microsatellite, which will be launched in 1996 along with the Chinese-Brazilian Telecommunications Satellite.

A result of the agreement between the Ministry of Science and Technology's Funding Authority for Studies and Projects (Finep) and the National Institute of Space Research (INPE), that project has consumed 4.6 million reais. The microsatellite will be used for several research projects—some of them linked to the atmosphere, geomagnetism, and the locating of objects on the surface of the earth. "It is important to emphasize that the satellite will be geared mainly to research by Brazilians," said Lourival Carmo Monaco, president of Finep. The objective is to involve universities and domestic firms in the assembly and manufacture of parts for the satellite.

The five projects were selected by a committee consisting of representatives of Finep, the Brazilian Academy of Science, and the INPE. The development of services that use high-powered computers to simulate chemical and biochemical molecules was the keynote of two of the partnerships formed by Finep with the Coordinating Board for Postgraduate Engineering Programs (Coppe) on the one hand and the Jose Bonifacio Foundation on the other, both of the Federal University of Rio de Janeiro [UFRJ].

The fourth agreement calls for modernizing the Brazilian Association of Technical Standards (ABNT) and enabling it to broaden the range of services it offers. The final project, to be carried out by the UFRJ's School of Chemistry, is centered on the financing of programs for the development of new antituberculosis drugs.

"This group of projects reflects the stage of development achieved by our country. Brazil is placing itself on the same level as the First-World countries," said Monaco. He asserted that the purpose of the programs was to provide tangible benefits for society—benefits that can be applied in the population's everyday life.

The agreements were signed at 1000 hours yesterday at the office of the Brazilian Science Association [as published] in Rio de Janeiro. Those attending were Minister of Science and Technology Israel Vargas and the presidents of Finep (Lourival Carmo Monaco), the Brazilian Academy of Science (Eduardo Krieger), and the INPE (Marcio Barbosa).

Chile

Authorities Deny Armed Forces on State of Alert

PY0802121295 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 8 Feb 95

[FBIS Translated Text] Chilean military authorities have denied rumors that their troops were placed on state of alert along the northern Chilean border with Peru. Media rumors in Argentina and Peru state that Chile is allegedly supplying Ecuador with weapons.

Chilean Minister Secretary General of Government Jose Joaquin Brunner denied such reports.

Ex-Minister Downplays Effects of Financial Crisis

PY0302145295 Madrid EFE in Spanish 1857 GMT 31 Jan 95

[FBIS Translated Text] Bonn, 31 Jan (EFE)—Former Chilean Finance Minister Alejandro Foxley does not believe his country will be dragged into the current financial crisis, because the Chilean basic economic indicators are much better than those of Mexico and Argentina.

Foxley began today a series of political talks with representatives of the German Christian Democratic Union (CDU), including its president, German Chancellor Helmut Kohl, and some of his ministers.

In comments to EFE, Foxley emphasized that Chilean internal savings are increasing, that the deficit in the regular account balance is less than 1 percent of GDP, that spending is under control, that there is a fiscal and trade surplus, and that it depends little on foreign capital.

Foxley also said he "absolutely" does not share the negative predictions made recently, such as that made at the World Economic Forum being held in Davos on the economic future of Latin America and the financial markets in general.

Foxley said, however, that Mexico will go through some difficult years because of the need to reduce spending, and that it will have lower economic growth.

He added that Latin America is not going through a generalized crisis of liquidity as in 1982, and that the markets will quiet down and act in a different way.

Economy Minister Urges Agreement With Mercosur

PY0602205295 Madrid EFE in Spanish 2055 GMT 2 Feb 95

[FBIS Translated Text] Santiago, 2 Feb (EFE)—Chilean Economy Minister Alvaro Garcia stated on 2 February that Chile must urgently seek a partnership with the Common Market of the South (Mercosur) to prevent its

member countries from seeking other suppliers for products that they have been importing from Chile.

At the end of a meeting of the public and private committee for international economic relations, Garcia stated that the customs union among Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) poses the risk of diverting trade away from Chile.

Garcia added that the Mercosur member countries are well disposed toward Chile, and feel that a partnership with it is a priority issue.

The Chilean minister emphasized: "Given the current instability in certain Latin American countries, it is particularly important to bring the forces of the region together, and Chile's partnership with Mercosur is part of this effort."

Garcia confirmed that, during the meeting that the Mercosur countries will hold on 15 February, Chile's draft proposal for an economic cooperation agreement will be studied.

He added that on 21 February Chile will be notified of the comments and statements emerging from that meeting, and will be able to continue the negotiations for the lifting of custom tariffs, which is the issue that has been delaying overall negotiations so far. Sector-specific studies will begin in March after Chile and Mercosur exchange lists of proposed tax exemptions.

Chile's proposal for Mercosur involves freeing up the trade in goods and services, special treatment for government purchases, protection for intellectual property rights, physical integration, and infrastructural development in the nations that make up the bloc.

Garcia indicated that there has been some progress toward an agreement on the timetable for lifting custom tariffs, and the originally proposed 10-year deadline has been reduced.

Frei Reflects on Upcoming UN Social Development Summit

PY0602224095 Buenos Aires CLARIN in Spanish
1 Feb 95 p 15

[Article by President Eduardo Frei Ruiz-Tagle]

[FBIS Translated Text] For us Chileans, the world summit on social development convened by the United Nations for March constitutes a responsibility we feel to be our own.

We put forward the idea because we feel that the post-Cold War world, the world that is emerging from the era of ideological confrontations, needs to become aware of the influence that social problems have on our planet's security.

This summit meeting is not just one more in the confrontational maelstrom of the 20th century, but the first in the building of the 21st century by all of us.

In Chile, we know that one of the main tasks of our democracy is combating poverty. We have taken the moral and political commitment to eliminate extreme poverty within 10 years.

We believe that democracy cannot be built on exclusions, and that its strength cannot last in a climate of continuing social disintegration.

We want to invite the international community to work on three major common goals, namely to attack poverty, to foster solidarity, and to create new jobs.

This task will require willpower and concrete actions. We expect to leave Copenhagen with a resolute political declaration and a plan of action that brings about a new era in the search for a better standard of living for millions of men and women throughout the world.

Our action cannot be delayed. Unemployment is on the increase in the entire world. The United Nations estimates that the average unemployment rate will stand at 8.6 percent in 1994. This is a situation prevalent in both developing and industrial countries. Unemployment will climb to 12 percent in Western Europe this year, and to 15 percent in Eastern Europe.

Half of the world's poor live in southern Asia, while another 15 percent live in East Asia. Seven percent of Latin America's urban working population is unemployed.

Thirty percent of the available labor force in the entire world, which comprises 800 million people, does not have productive employment, and goes from one place to the other eking out a meager existence in some form of underemployment.

It all seems to indicate that if things continue as such, the number of people living in total destitution will increase from 1.1 billion to 1.3 billion by the end of the century. Will we then be able to label the 21st century as a century of hope for mankind?

Such large figures sometimes do not allow one to see their specific impact on one's immediate surroundings.

Still, the stark and glaring consequences of poverty, unemployment, and social disintegration can be seen every day in every one of our countries.

We know that this is the reason for the rural exodus and for the migration of people to other countries. This is why people cross the border in many parts of the world. Despair can lead to the breaking of rules.

The dimensions acquired by social problems demand a political decision to deal with them urgently and with a new approach.

The social summit will certainly not give an immediate answer to change things. Nevertheless, it will be the starting point for a new era of social development in world policies.

In the past, humanists having different leanings applied all their energies to the struggle against slavery. Nowadays the next great step in our emancipation is doing away with poverty.

We hope that the society in which we will live in the next century will have the human being as the centerpiece of its political strategies. We aspire to a kind of society in which each person has the right to develop her or his own talents.

We believe that, if Chilean politics and the objectives it pursues become more humane, it will then be possible to achieve these great strategic objectives.

This is why we have proposed holding a social summit.

It will be a political rite in which to reflect on the hopes of millions of people.

It will be a stop on our journey, to rethink human strategies in modern times.

It will be an opportunity to give more teeth to our political actions. We have at our disposal the tools to eliminate poverty and achieve development for our peoples. We must unite all political wills to act decisively and urgently.

Agreement on Special Jail Detailed

95SSM0167A Santiago LA NACION in Spanish 20 Jan 95 p 2

[Article by Javier Galas and Ivan Delgado]

[FBIS Translated Text] Valparaíso—Congress yesterday ratified the political agreement worked out in the joint committee on the planned special jail for military personnel. The agreement gives the prison police [Gendarmeria] power to order jails built and prevents military personnel from enjoying the privilege of preventive detention at military facilities when they have been convicted of common crimes and are being prosecuted for others. In addition, the ruling party pledged not to sponsor amendments to the confinement laws in the Code of Military Justice for the rest of the congressional term, which ends in March 1998.

The compromise bill was passed almost unanimously in the Chamber of Deputies: 81 for, 1 against (Christian Democrat Gabriel Ascencio), and RN (National Renewal) member Ramon Perez abstaining. Only the interpretation of the agreement that Socialists Jose Antonio Viera-Gallo, Camilo Escalona, and Juan Pablo Letelier outlined prompted a stir during the debate, which was full of reciprocal praise for the political magnanimity that led to the accord.

Escalona stated that "this agreement is a reflection of the need for reconciliation, truth, and justice in human rights. Consequently, it is an acknowledgment that there must be justice in the country and it tells the Supreme Court to jail Manuel Contreras. The political-judicial

agreement that has been achieved this morning ennobles the Congress and means that Contreras is closer to jail today than yesterday."

On the right, this interpretation made the RN's Rene Manuel Garcia indignant. He made it clear that he supported the general framework but that he could not lend himself "to making a law with a first and last name." Garcia was interrupted by Vicente Sota of the PPD [Party for Democracy], who was chairing the session. When the time came to vote, the opposition deputy joined the overwhelming majority in favor.

The RN's Alberto Espina recalled that the report of the joint commission "embodies exactly what our party indicated in the discussion of the first constitutional proceeding. And I bring this up because the chamber has this sort of masochistic exercise in which it fails to realize that political agreements can be worked out and assumes that they always have to be delegated to the last bodies involved in a law's passage."

Both Espina and Andres Chadwick of the UDI [Independent Democratic Union] emphasized in their remarks that the compromise shows that their parties were not safeguarding unjustified privileges but neither were they willing to alter long-standing laws to eliminate the loophole that some military personnel had used to serve their sentences in military units.

Senate

The Senate passed the bill in the afternoon by a vote of 32 for and 2 against.

During the vote Socialist Senators Rolando Calderon and Ricardo Nunez, besides Christian Democrats Andres and Adolfo Zaldivar, explained their votes, stating that they opposed the political accord that the government, the opposition, and the Coalition had hammered out. They voted for the joint commission's report, however, citing personal and party reasons.

Ricardo Hormazabal, Manuel Antonio Matta, Nicolas Diaz, Jose Ruiz de Giorgio, and Mariano Ruiz Esquide of the DC abstained, while Jorge Lavander, who had announced that he would abstain as well, said in the chamber that he was voting no along with Sergio Diez.

Minister Alvear

At the close of the session Justice Minister Soledad Alvear said that over the next few days a decision would be made as to the type of prison to be built or whether another jail needs to be expanded for the military. "For the time being, nothing has been decided," she indicated.

She clarified that the jail which will house the convicted military personnel should not hold more than 50 people. The idea, she added, is to identify an already existing prison or to build one that offers the security guarantees to which "we have committed ourselves under the prison police's segregation policies."

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The Bill That Was Submitted

1. Repealed the provisions of the Military Code of Justice that allow military personnel to be jailed at military installations even if they are being tried for or have been convicted of common crimes in ordinary legal proceedings. Therefore, military personnel charged with common crimes will be held in the places indicated in the Code of Criminal Procedure, not the Code of Military Justice.
2. Granted the prison police the power to decide where defendants and convicts will serve their entire sentences, thus modifying the Code of Criminal Procedure, which currently assigns this function to the trial judges.
3. Amended the Organic Law of the Prison Police by authorizing this institution to plan, build, repair, and expand the facilities that are under its control without the need for a decree from the Ministry of Public Works.

The Law That Will Be Enacted

1. Complements the provisions of the Code of Military Justice so that military personnel simultaneously on trial for common and military crimes will be held in regular jails only if the regular courts have handed down a final sentence. Moreover, a commitment has been made that this agreement represents a legal framework that will not be modified during the current legislative period (1994-1997).
2. Preserves judges' power to determine where military personnel who are on trial or have been convicted will be permanently held.
3. Confirms the modifications to the Prison Police Law, authorizing the police to plan, build, and expand facilities under their control. Adds provisions under which the prison system will avoid arbitrary discrimination, except under separation policies for inmate rehabilitation.

Colombia

Pardo To Inform U.S. of Plans to Fight Cali Cartel

PA0802201195 Santa Fe de Bogota Inravisión
Television Cadena 1 in Spanish 1730 GMT 8 Feb 95

[From the "National Newscast"]

[FBIS Translated Text] The government will ready its big guns to fight the Cali Cartel. With that card under his arm Foreign Minister Rodrigo Pardo traveled to Washington to reinforce the team working in the United States to calm the storm raging against Colombia. That storm has put the country's certification for its struggle against drug trafficking in jeopardy.

Foreign Minister Rodrigo Pardo's trip to Washington kicks off the second phase of the diplomatic offensive to convince the United States about the positive results of

Colombia's struggle against drug trafficking. His argument will revolve around the efforts directed at closing down the Cali Cartel.

[Begin Pardo recording] There is a clear and decided persecution against the Cali Cartel and anyone else who contributes to the drug problem in Colombia. This is an ongoing policy that will continue to be enforced, and it will only change in response to Colombian public opinion and not because of a request from a foreign government. [end recording]

After meeting with U.S. Ambassador Myles Frechette, the foreign minister expressed his optimism about the way President Ernesto Samper's promise to do away with illegal crops before the end of his administration was welcomed.

[Begin Pardo recording] This policy does have a cost, difficulties, and opposition. However, the president's willingness to complete the plan was clearly expressed yesterday. We hope to attain very specific objectives during the program. [end recording]

Although the minister acknowledges that meeting the requirements for Colombia to receive the certification are more complex than it would seem, he stressed that the government is not interested in getting U.S. approval under pressure.

Prosecutor General on Capacity To Charge Cartel Members

PA0802201695 Santa Fe de Bogota Inravisión
Television Cadena 1 in Spanish 1730 GMT 8 Feb 95

[From the "National Newscast"]

[FBIS Translated Text] It is one thing to have the will to fight the Cali Cartel, but yet another is knowing if we have the legal mechanisms to charge them once they have been captured. One major problem has always been insufficient evidence against drug trafficking kingpins. Where do we stand today? We spoke with Prosecutor General Alfonso Valdivieso.

[Begin Valdivieso recording] I believe the situation has changed regarding sufficient evidence and ongoing procedures allowing us to press charges, as we have already done, and get a conviction and sentence in accordance with the crimes these people have allegedly committed as members of these criminal organizations. [end recording]

Another question that arises regarding the fight against the Cali Cartel is: How bad is corruption, particularly in Cali? Is the regional prosecutor under pressure? Valdivieso had this to say:

[Begin recording] [Valdivieso] Corruption finds one of its main sources and explanations in drug trafficking.

[Reporter] Is it true that the Cali regional prosecutor is under pressure from the Cali Cartel and its kingpins?

[Valdivieso] According to comments and interviews I have heard him make and in conversations with him myself, I would say he is. I think he is under the typical kind of corrupting pressure that such criminal organizations exert.

[Reporter] Is the pressure in the form of bribery or money offers?

[Valdivieso] That is what we believe. [end recording]

Liberal Party Backs Government on U.S. Certification

PA0802162195 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 8 Feb 95

[Telephone interview with Juan Guillermo Angel, president of the Senate and director of the Liberal National Directorate, by Dario Arizmendi; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] Good morning, Dr. Angel. Why is the Liberal National Directorate [DNL] going to Narino Palace today at 1100?

[Angel] Good morning. We are going to meet with President Samper to review the current situation and offer him the Liberal Party's [PL] support on the issue with the United States. We believe drug trafficking is a crime against mankind, and therefore I believe our efforts should be certified by mankind and each one of the countries. We do not believe any country has the moral authority to judge another, particularly when high levels of consumption continue and when the U.S. people are adopting [words indistinct] positions without [words indistinct]...

[Arizmendi, interrupting] Should the United States grant the Colombian Government certification under specific conditions linked to the struggle against drug trafficking? If credits are frozen, what do you believe the government of President Ernesto Samper should do?

[Angel] I believe the country must defend its sovereignty. This is a dignified and honorable country that has struggled tenaciously and with dignity. It would be very harmful for us, as it has been for other countries. Today the United States has the economic power to judge other countries and impose its own rules of the game. I believe, however, that Colombia, like other countries, will survive this tough trial. I believe the president should defend Colombia's sovereignty and dignity at all costs.

[Arizmendi] There is some discontent within the Conservative Party [PC]. Some prominent leaders of that party are demanding open opposition to President Samper's government. The government minister has said relations with that party are good. As PL leader, how do you view those relations?

[Angel] We have defended the thesis that there should be a government party and an opposition party. We believe it is good for democracy and for the country to have a

party that is a watchdog of government actions. What is not correct is to be in opposition and participate in the government at the same time. That is unethical.

[Arizmendi] Do you agree that PC members should withdraw from the cabinet, as some members of that party are demanding?

[Angel] That is what we said a few months ago, and we believe that is the essence of democracy, to prevent corruption.

[Arizmendi] Regarding the national educational situation, a teachers strike is affecting approximately 8 million students in primary and secondary schools. For the past 15 days 150,000 university students are also on strike, as a result of a strike organized by professors of 20 public universities protesting the nonimplementation of a decree regulating the law on university education in Colombia. Will the DNL do anything to try and solve this conflict?

[Angel] Well, Congress has appointed a commission to try to mediate in the conflict. This, however, must be accepted by the parties involved. I believe the country has a right to know what is happening. This is a recurring conflict, on which you are constantly reporting. I believe no other group uses this recourse as much as this one. The country should know what is happening, and what each side's position is. This requires a negotiating table. I am under the impression that the strike was declared too hastily, and that the country does not really know what is happening. Students and the country in general are suffering the consequences.

Guerrillas To Begin Peace Talks; ELN Not To Participate

PA0802221395 Santa Fe de Bogota Inravisión Television Canal A Network in Spanish 0000 GMT 7 Feb 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Peace in Colombia seems to be on the right track. Bernardo [as heard] Caraballo, the detained leader of the EPL [Popular Liberation Army], has written to the government that his guerrilla group will avail itself of the Geneva convention on international human rights to begin rapprochement in the peace negotiations on the basis of those rights. Thus another guerrilla group will soon begin negotiating with the government.

The government of President Ernesto Samper accepted the FARC's [Revolutionary Armed Forces of Colombia] proposal to begin holding open and aboveboard peace negotiations within the country. According to what the "Seven O'Clock Newscast" was able to learn confidentially, the government is now waiting for that guerrilla group to choose a venue for real dialogue. It was also

decided that all members of the FARC Secretariat, headed by Manuel Marulanda Velez, alias Tiro Fijo, will attend the talks.

The "Seven O'Clock Newscast" has also learned that the ELN [Army of National Liberation], for its part, has decided not to participate in any peace talks for the time being, at least until the government further explains its offers. The ELN said that, in its opinion, the Samper government's peace formula has failed to progress in the same way that peace formulas did in Caracas and Tlaxcala. Given the ELN's decision, it seems that the so-called Guerrilla Coordinating Board remains divided, although it could be a temporary strategy devised by these two rebel groups.

Acting Minister on New Tax Withholding System

PA0302130795 Santa Fe de Bogota Emisoras Caracol
Network in Spanish 1200 GMT 1 Feb 95

[Telephone interview with acting Finance Minister Francisco Azuero by Caracol's news director Dario Arizmendi in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] The national government has decreed that, as of 1 March 1995, all businesses must withhold 3 percent of all credit card sales as a sort of advance tax payment. Acting Finance Minister Francisco Azuero will explain the extent of this decision to Caracol's audience.

[Azuero] Good morning. The first thing that I must clarify is that this is not a new tax. This is simply the implementation of a system that is widely used in the economy today—the tax withholding system. Today, as much as 30 percent of income tax is being withheld from people's salaries. As for payments on commissions, 10 percent is withheld. In the case of financial yield, 7 percent is withheld.

The problem is that income from sales made by merchants were not subject to withholding, and so a 3-percent tax will now be applied to a specific type of sales—that involving credit cards.

[Arizmendi] What is the government seeking to do with this measure?

[Azuero] The government has stressed that it seeks to promote a tax policy to deter tax evasion and to enforce the principle of uniformity [neutralidad] on the various groups of taxpayers and the various methods of payment. This constitutes an improvement in the general system.

[Arizmendi] What is the approximate amount lost from the evasion of taxes by that group of the business sector?

[Azuero] Exact figures are not actually available. Because of its very nature, tax evasion is quite difficult to quantify. What the government actually seeks is to

broaden the tax base. Regarding traditional revenues, the adoption of this measure could yield 30 or 40 million pesos annually.

[Arizmendi] What will happen to those businesses that will neither withhold this 3 percent nor give it to the government?

[Azuero] This cannot occur. Let us clear this up: the financial institution will withhold the 3 percent at the time it is paying the commercial establishment for the product of its credit card sales.

[Arizmendi] In other words, the financial institutions—and not the commercial establishments—will be doing the withholding.

[Azuero] Exactly, it will be done by the financial institution as it deposits the product of the sales in the account of each commercial establishment.

[Arizmendi] In practice, will this represent an advance payment on taxes by the commercial establishments?

[Azuero] That is exactly what it is, and this measure does not entail higher costs for those commercial establishments; at least not for those that pay their taxes.

[Arizmendi] Does the new government expect the number of credit card transactions to decrease?

[Azuero] No, there is no reason why they should decrease. If today financial establishments charge a 7-percent commission, during the last few years the volume of credit card transactions has been increasing at a substantial rate as can be seen from the corresponding statistics. The fact that a 3-percent retention charge must be paid—which is a payment that can be recovered—I do not see why that should affect the volume of credit card transactions.

[Arizmendi] Dr. Azuero, notwithstanding the explanation given by the government, to what do you attribute the government's obstinate opposition and the criticism made by Fenalco [National Federation of Businessmen], ANIF [National Association of Financial Institutions], Asobancaria [Banker's Association], and the Association of [words indistinct] Credits, Credibanco,

[Azuero] I think it is basically a lack of knowledge of the contents of the regulation. I think that to the extent this measure is explained and the country understands it, these criticisms will stop and the country will begin to understand the benefits of this measure.

[Arizmendi] Dr. Azuero, if the 7-percent commission, in practice—and this has probably happened to you—is always charged to one, like the consumer, or say this article is worth 100,000 pesos, but if it is to be a credit card charge, it costs seven or eight percent more. Are they not now going to say it is going to cost 7 percent more in commission plus the 3-percent commission that

I am going to have to pay because the financial institution withholds that amount from me. How is the government going to control that which could strike the social pact head-on.

[Azuero] That situation should not occur in a commercial establishment that pays its taxes [word indistinct], because we have to start the basis that a commercial establishment always has a taxable income that is a product of the profits of its commercial operations. When an income tax report is presented, the amount to be taxed is assessed, and that cost is already being paid by merchants today. So there is no reason why that should result in an increase in the price of the products that are sold. If that happens, it is either because the establishment was not paying its taxes, or because, in one way or another, the merchant wants to take advantage of any confusion that might arise.

[Arizmendi] Acting Finance Minister Mr. Francisco Azuero, what other fiscal measures is the government preparing these days?

[Azuero] None, just what has been issued thus far.

Ecuador

EFE Reports President's Trip To Washington, Trip Suspension

PA0802215295 Madrid EFE in Spanish 2053 GMT 8 Feb 95

[FBIS Translated Text] Quito, 8 Feb (EFE)—Official sources told EFE that Ecuadoran President Sixto Duran-Ballen will travel to Washington in the next few hours to meet tomorrow with his colleague, Bill Clinton, and apprise him of the border conflict with Peru.

Duran-Ballen met on Sunday and Monday with the Argentine President Carlos Menem, Brazilian President Fernando Cardoso, and Chilean President Eduardo Frei, leaders of the countries which, together with the United States, are guarantors of the 1942 Peruvian-Ecuadoran border agreement called the Rio de Janeiro Protocol.

The four guarantor countries are mediating Ecuador's and Peru's negotiations for a cease-fire agreement.

The Ecuadoran president decided to personally explain to his colleagues his government's position on the armed conflict with Peru, which in 14 days of clashes has resulted in dozens of dead, because, as he said, internationally Ecuador is being unfairly blamed for the aggression.

[Madrid EFE in Spanish at 2100 GMT on 8 February transmits an 185-word item stating that Duran-Ballen's trip to Washington has been canceled, adding: "No reasons were reported for the suspension of today's trip, but official sources told EFE that a trip over the next few days has not been ruled out."]

Duran-Ballen: Fujimori Using Crisis for Electoral Purposes

PA0802150595 Quito Voz de los Andes in Spanish 1200 GMT 8 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran President Sixto Duran-Ballen has said Peruvian President Alberto Fujimori is using the current border conflict between both countries for electoral purposes.

President Duran-Ballen said President Fujimori's use of the armed conflict for electoral purposes is inadmissible. He added that Fujimori's most reproachable action would be replacing farming tractors with tanks and farming tools with rifles.

Duran-Ballen made that statement in the Bolivian city of Santa Cruz. He unexpectedly arrived at the Santa Cruz airport at 1355 yesterday on a 30-minute technical stopover during his return flight to Quito from Santiago de Chile. He held a news conference with approximately 50 Bolivian journalists.

Moeller: U.S. Not To Allow Conflict To Escalate

PA0802151295 Quito Voz de los Andes in Spanish 1200 GMT 8 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The congress president trusts the United States will not allow the Ecuadoran-Peruvian border conflict to become a new Bosnia. Heinz Moeller, who heads an Ecuadoran delegation, explained his country's position in the conflict.

He said Peruvian President Fujimori is intent on maintaining a military posture to strengthen his possibilities of reelection 60 days away from the election. Is the inter-American system, which is headed by the United States, going to permit a voice [words indistinct] Moeller asked during a news conference in Washington? Is it going to permit a fratricidal war between sister countries, behind the back of its program of integration and development? We trust it will not, Ecuadoran Congress President Heinz Moeller stated.

March to U.S. Embassy, OAS, UN Planned for 10 Feb

PA0802195295 Quito Voz de los Andes in Spanish 1700 GMT 8 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Permanent Human Rights Assembly, through its spokesman Roberto Sanchez, has announced demonstrations to demand an immediate cease-fire for Friday, 10 February, at 1000 hours at three main places: the OAS and UN offices and the U.S. Embassy.

The objective of this action, in which various youth and student organizations, art associations, and many other civic groups will participate, is to let the U.S. ambassador know that the Ecuadoran civilian society wants a final solution to the conflict and demands a clear position from the United States.

In addition, they will demand that the OAS and the United Nations firmly intervene to establish an immediate and unconditional cease-fire in the conflict area.

Roberto Sanchez said this is one of the many actions to be promoted by the Ecuadoran civilian society to support an autonomous and constructive position in favor of peace and an immediate cease-fire.

The Ecuadoran Permanent Human Rights Assembly added: We have consciously assumed an independent position before the government and the Ecuadoran state and at the same time we are committed to defend our interests.

All organizations and persons identified with the objectives of the demonstration should gather at 1000 hours on Friday at El Arbolito, from where we will march peacefully to the U.S. Embassy, the OAS and UN offices, where rallies and meetings will be held.

Foreign Minister on Talks with Peru

PA0802163295 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 8 Feb 95

[Telephone interview with Foreign Minister Galo Leoro by Dario Arizmendi, Javier Ayala, and Judith Sarmiento; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] Good morning, Mr. Foreign Minister. Peru has rejected Ecuador's counter-proposal to sign a cease-fire, according to the terms of a proposal drafted by the Rio de Janeiro Protocol's guarantor countries. What will Ecuador do from here on out?

[Leoro] That statement came from the wire services. This afternoon at 1800, Rio de Janeiro time, there will be a meeting of the guarantor countries, Peru, and Ecuador. We will see what Peru's official position is. As of now, I understand these are just wire service reports. The proposal has not been discussed in any way, nor has Peru said why it would reject it, if that were so. I understand things go through a procedure, and we must examine them the moment talks are held. I obviously heard that report you mentioned, but I must go by what could officially happen during this afternoon's talks.

[Arizmendi] So, Ecuador does not give credence to news dispatches citing Peru's statements through its different spokesmen—and not denied by that country?

[Leoro] No, what I am saying is that they have not been discussed in any way. You are saying that Peru has rejected it, but that information comes from an unofficial report. I hope that Peru can listen to the reasons for

it. One cannot reject, or rather, look at a document and take a position without listening to explanations or considering the other side or any other specific circumstances.

That may be Peru's position, sure. It wouldn't surprise me, and it wouldn't be the first or last time. But we have to wait. I think my position as foreign minister is to wait and listen to what Peru will say at the negotiating table.

[Arizmendi] Is a new round of talks between Peruvian Foreign Deputy Eduardo Ponce and Ecuadoran Deputy Foreign Minister Marcelo Fernandez scheduled within the framework of the guarantor countries, or are you considering going to the OAS at any given time?

[Leoro] I am telling you that today at 1800, Rio de Janeiro time, the meeting you mentioned will be held. The fact that we have acted within the framework of these talks does not and would not keep any country, much less Ecuador, from appealing to any other forum like the OAS, which is the regional organization primarily tasked with maintaining peace on the continent.

[Arizmendi] During a public appearance last Wednesday, Pope John Paul beseeched your country and Peru to end this conflict. Will you listen to the pope?

[Leoro] I think it has been listened to and will always be. I hope that Peru will listen to it during this afternoon's talks.

[Arizmendi] Mr. Foreign Minister, there has been a great deal of speculation in both countries on the number of casualties sustained by the two armies in the clashes registered since the conflict began. May we obtain from you an official report on this?

[Leoro] Listen, the Ministry of National Defense provides all official information in this regard. I go by the information supplied by the Ministry of National Defense, which I believe is truthful.

[Ayala] Mr. Foreign Minister, does the proposal presented yesterday by Ecuador differ a great deal from the original proposal made by the mediators?

[Leoro] No, no, no. It is not very different from the one made by the mediators. We are asking that a group of military observers be deployed to enforce a separation of forces. We are asking that the separation of forces be conducted in such way as to not allow Peru to occupy all it wants to occupy. We are asking that this be done realistically. It is impossible to say no for the sake of saying no. We don't want that. It is impossible to eliminate boundaries on something that must be limited.

[Arizmendi] Mr. Foreign Minister, why has the OAS played such a small role in helping to resolve this conflict up to now?

[Leoro] We have asked for a meeting of the so-called foreign ministers meeting. As soon as we did this, the guarantor countries asked us, in a very specific manner,

since they were going to take action, that we wait, because until then we had not received a very clear response, except for cease-fire calls. When this happened, we were asked to allow guarantor countries to act, and we agreed.

We have wished to allow the group of guarantor countries to establish and devise the way to reach a peaceful solution which is fair to both sides. Peru has always adopted extreme positions for everything, placing the guarantor countries in a difficult spot. I understand that. I understand that when extreme positions are maintained, like those held by Peru, it is difficult; but it is not impossible when the objective is the cease-fire.

We have proposed that the cease-fire be unconditional. However, we have been unable to obtain Peru's approval of this, in spite of the fact that Peru pledged to support an unconditional cease-fire through the Brazilian Foreign Ministry. We accepted it, and since then, we have been unable to obtain Peru's approval for anything, without setting too many conditions.

[Arizmendi] Peru states that Ecuador seeks to bring in a group of military observers to maintain detachments it forcefully occupied some days ago. Peru wants you to withdraw...

[Leoro interrupts] Gentleman, we have not forcefully occupied any territory. We have not attacked one single detachment. It has been the other way around. All detachments that came under attack are entirely Ecuadoran. Peru's assertion that these detachments are Peruvian is simply an unfounded assertion. For over 45 years, Peru has not accepted any solution to a problem that exists there. There is no *divortium aquarum* between the Zamora and Santiago Rivers; there is *divortium aquarum* between the Zamora and Cenepa Rivers, which is a different thing. They believe the Cenepa River belongs to them, in spite of the fact the Protocol does not state it. They believe the Cenepa River belongs to them because they have occupied it. If, based on that it belongs to Peru, gentleman, what kind of time are we living in?

[Arizmendi] Mr. Foreign Minister, how successful was the tour of President Duran-Ballen to his counterparts in Brazil, Argentina, and Chile?

[Leoro] The balance is positive in the sense that it is not the same to talk and listen, like you are listening to me, as showing to you on a map what the reality of the area is like. Consequently, I believe the difficulty of understanding this matter lies in the lack of a view of the area. I believe whoever can be briefed on this with a map would fully understand the Ecuadoran position.

[Ayala] Mr. Foreign Minister, at the site of fighting, are Ecuadoran troops still maintaining the positions they held at the beginning of the conflict?

[Leoro] Of course. They remain there unmovable. They remain on Ecuadoran soil that has belonged to Ecuadoran over time, regardless of whether Peru, which has

forcefully occupied the Cenepa River basin, thinks that the northern part, where Ecuadoran detachments are located, belongs to them. They think it belongs to them just because they say so.

[Arizmendi] Mr. Foreign Minister, we respectfully ask you this: If the Peruvians have not displaced any Ecuadorans from any location, what is the conflict all about?

[Leoro] Please, please understand that the conflict cannot be understood any other way, except for the fact that they want to displace us from those places. They want to push us out of places where they have no rights or deed. These locations are not in Peruvian territory; not even under the Rio de Janeiro Protocol. Those who listen to the radio or read the papers can only accept this sort Peruvian claim, as they cannot understand the situation without seeing a map; without knowing the problems surrounding the Rio de Janeiro Protocol. Based on just that information they can only reach conclusions that differ from the geographic, political, and diplomatic reality at this time.

[Arizmendi] What is your response to several analysts who maintain that there are really enormous riches behind the conflict. There are reportedly significant uranium, gold, and also oil deposits in the areas in dispute?

[Leoro] Sir, this dispute goes back as far as 1948, when there was no mention of any kind of resources in the area; when we were discussing an elemental legal concept and not the existence or nonexistence of any kind of wealth. We were discussing the establishment of a legal basis to solve a geographical situation that was not covered by the Protocol, thus rendering the Protocol nonexecutable in that area. That, in turn, should have led to some form of mutual agreement, not to a form of imposition of what should be done in the area. That is what is in dispute and it has nothing to do with the existence or nonexistence of natural resources. I have heard and we have learned that there is that possibility, but our difficulties and differences with Peru are not founded on it, at least as far as we are concerned. The current problem, as I said, goes back to 1948, when we discovered that the *divortium aquarum* between the Zamora and Santiago Rivers cannot be traced. Therefore, we had to find some kind of mutual agreement and not a system by which one of the countries—Peru in this case—says this is the border line and that is that; without any other criteria than to occupy the area.

[Arizmendi] In other words, Mr. Foreign Minister, to summarize the Ecuadoran position, what formula will your country, Ecuador, bring to the meeting this afternoon in Rio de Janeiro?

[Leoro] The formula is ready and it has already been presented. What we have to do now is discuss it. I have told you in general terms that it seeks to establish a minimum of equity in the area, regarding a cease-fire. We have asked for an unconditional cease-fire several

times now, and it has obviously been to move on to talks afterwards. Unfortunately, the cease-fire has been laced with conditions and more conditions, making it difficult to find an understanding with Peru.

[Arizmendi] Mr. Foreign Minister, is Ecuador fully aware that it is less powerful than Peru, from a military and armaments point of view?

[Leoro] Of course. We have always been weaker. That is why these disputes take the form they do. Consistently they have taken the form of imposition, instead of understanding. That must end. Peru speaks of integration and this and that, but reality should coincide with what they say.

[Arizmendi] Mr. Foreign Minister, Radio Caracol is linked with the most important radio and television stations in Ecuador at this time. We have Samuel Salazar from Caracol Network in Quito, who would like to ask you a question:

[Salazar] Thank you, Dario. Linked with Caracol we have Radio Centro and Gamavision Television in Quito, Ecuador.

[Leoro] Everything has already been [words indistinct] and everything [words indistinct] at the dialogue.

[Salazar] [Words indistinct] There are reports that indicate Ecuador would be willing to immobilize the troops it has deployed to the conflict region after 9 January, leaving only the military units that were already in place 9 January. How true are these reports and is this in fact a part of the modifications you presented yesterday in Brazil? [3-second break in transmission]

[Arizmendi] Mr. Foreign Minister Galo Leoro, the question is from Quito by Gamavision Television, the Today Newscast, and Radio Centro. [3-second break in transmission]

We are speaking with the foreign minister of Ecuador about his expectations and hopes for today's meeting in Rio de Janeiro at 1800 [2000 GMT], with the deputy foreign ministers of Peru and Ecuador. Can you hear us Mr. Minister? [3-second break in transmission; Leoro is apparently cut off]

Very well.

Foreign Ministry Thanks Diplomats for Solidarity

PA0802202595 Quito Voz de los Andes in Spanish 1700 GMT 8 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Here is a press bulletin received from the Foreign Ministry:

You can be sure that in our minds and hearts, the image of our homeland being attacked and of the republic's foreign service being committed to its defense will determine our actions until we have done everything in our

power to implement the mechanisms for a peaceful solution of controversies, safeguarding our national honor.

The press bulletin adds: We thank you for your kind solidarity and encouragement expressed in your note. We hope to comply with our duty to carry out as efficiently as possible the mission we have been entrusted with by the national government.

This is the text of a note sent by the Ecuadoran delegation participating in the negotiation process sponsored by the guarantor countries in Brazil to the Association of Foreign Service Officials and Employees [Asociacion de Funcionarios y Empleados del Servicio Exterior], AFESE, and the Association of Career Diplomats [Asociacion de Diplomáticos de Carrera], ADIC, thanking them for the solidarity expressed in their note dated 3 February.

Government Deplores Incident With Peruvian Journalists

PA0802183795 Quito Voz de los Andes in Spanish 1700 GMT 8 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Foreign Ministry has deplored an incident involving two Peruvian journalists who are correspondents for Panamericana de Television and unidentified individuals on the night of 7 February. It said that a thorough investigation will be conducted to give exemplary punishment to those responsible.

The Foreign Ministry viewed this as an isolated incident within the context of freedom of information guaranteed in Ecuador for all national and foreign correspondents, who total more than 200, including Peruvians.

The Foreign Ministry added that the Government and Defense Ministries will take action to prevent future incidents of this nature.

Meanwhile, the State National Communications Secretariat reported that journalists in Pichincha immediately contacted the Peruvian press to offer their help and provide guarantees for their professional work.

Foreign Ministry: Peruvians Enjoy 'All Rights'

PA0802195495 Quito Voz de los Andes in Spanish 1700 GMT 8 Feb 95

[Press Bulletin by the Foreign Ministry; from "The Voz Andes Newscast"]

[FBIS Translated Text] In response to the lies reports by the Peruvian press, the Foreign Ministry announces that, according to reports received from the respective national authorities, Peruvians who reside or who are temporarily in Ecuador enjoy all rights established by national laws and by international agreements.

Official Offers Guarantees to Peruvian Journalists*PA0802185895 Quito Voz de los Andes in Spanish 1700 GMT 8 Feb 95*

[Interview with Carlos Larreategui, secretary general of public administration, by unidentified reporter at the Palace of Government in Quito; from "The Voz Andes" newscast; broadcast in progress—live]

[FBIS Translated Excerpt] .. the inquiry will begin immediately; we are collecting the pertinent evidence to give exemplary punishment to bad Ecuadorans who are a discredit to their country and who violated a principle the whole country has strongly respected, that is, unrestricted and absolute freedom for news media and reporters. For that reason, we regret this incident and want to offer the necessary guarantees to the news media so they can cover freely—as they have been doing—the events taking place and, mostly, to reaffirm the government's wishes to punish these bad citizens. That is all I can say for now. Thank you.

[Reporter] [passage indistinct]

[Larreategui] Of course, we have reaffirmed the government's wish and commitment to offer all guarantees. I personally went to the airport to see off the Peruvian newsmen who were attacked and to convey to them President Sixto Duran-Ballen's concern. I also wanted to express to them the government's willingness to offer these guarantees. I think the Peruvian media, as all international media, must be here at the site of the events, covering with objectivity and truth the evolution of the conflict. It is our wish that these reporters who unfortunately had to leave the country as a result of these regrettable incidents will rejoin the press corps. As I said, this attack is the product of [words indistinct] and misfits. [passage omitted]

[Reporter] [passage indistinct]

[Larreategui] No way. I believe in that. That is why I want to make the government stance clear. We fully respect freedom of the press and the work reporters perform here. We want to guarantee and support the tasks reporter are performing. We reiterate that commitment and wish. This is no way mars the relations and dialogue we want to maintain at this time with the southern country. We are merely forced to confirm this commitment of respect for the journalism profession and the free practice of journalism, as these past days reporters have performed their mission in Ecuador in a wonderful manner.

[Reporter] [passage indistinct]

[Larreategui] We have in fact adopted measures to provide sufficient guarantees. The government and Armed Forces unfortunately cannot often control the actions by some misfits, who are luckily a few. These are isolated case, and do not represent the widespread sentiments of the country. For that reason, we are offering guarantees through adequate police protection. Thank you.

Voz Andes Apologizes for Attack on Peruvians*PA0802190895 Quito Voz de los Andes in Spanish 1719 GMT 8 Feb 95*

[From the "The Voz Andes Newscast"]

[FBIS Translated Text] As social communicators, we who work in Voz Andes also report on this situation [the attack against the Peruvian journalists] and apologize to the Peruvian communicators for this attack. This is not usual in our country. Freedom of expression is fully respected, and we again apologize to our colleagues who were attacked.

We hope and demand that the government authorities conduct all pertinent investigations, uncover the parties responsible for this bad action, and punish them.

Defense Minister Denies Possibility of Coup*PA0802191195 Quito Voz de los Andes in Spanish 1700 GMT 8 Feb 95*

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Government and military command spokesmen denied today the possibility of a coup against President Sixto Duran-Ballen in the wake of the border conflict with Peru. Defense Minister Jose Gallardo told newsmen such a possibility does not exist and that at this time a military coup would amount to suicide for the Armed Forces and the country.

Defense Minister: Peru Stepping Up Attacks on Bases*PA0802145795 Quito Voz de los Andes in Spanish 1200 GMT 8 Feb 95*

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Peru has redoubled its attacks on Ecuadoran military bases along the border. It has deployed a large number of troops and has intensified its attacks with mortar fire, according to Defense Minister Jose Gallardo. Peruvian attacks were reported in Coangos, Cueva de los Tayos, and Base Sur.

There is an intense pressure at the border because of the number of troops they have in the area. Our detachments have successfully defended themselves, Gallardo said.

The minister said Peruvian troops in the region have attacked Ecuadoran patrols in the vicinity of Tihuiza, but the Ecuadoran forces were able to repel them.

Armed Forces Report Downing of Peruvian Helicopter*PA0802194795 Quito Voz de los Andes in Spanish 1830 GMT 8 Feb 95*

[Official Armed Forces Bulletin No. 19 issued by the Ecuadoran Armed Forces Joint Command]

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[FBIS Translated Text] The Armed Forces Joint Command advises the country of the following:

1. In the past 12 hours there has been an intensification of activity in the conflict area with the use of helicopters and mortar fire on the part of the Peruvian Army.
2. The forces defending the area have permanently repelled the Peruvian attacks and have downed an MI-8 helicopter that attacked the Base Sur and Coangos detachments at 1445 hours yesterday.
3. Our Armed Forces are maintaining control of the area, especially the sectors where Peruvian patrols have infiltrated.
4. The morale of the troops is high. The wounded, which number 26, have been evacuated to the interior of the country. There were 11 casualties from today's fighting.
5. The Ecuadoran Air Force and Navy are constantly patrolling sectors under their responsibility and the Army forces are on a maximum state of alert along the rest of the border.

Joint Command Denies Attacking Outside Conflict Area

PA0902033295 Madrid EFE in Spanish 0120 GMT 9 Feb 95

[FBIS Translated Text] Quito, 8 Feb (EFE)—The Ecuadoran Armed Forces Joint Command stated today that Ecuador has not attacked any Peruvian position outside the conflict area on the Amazon border and confirmed that clashes "between patrols of the two armies" continued throughout the day.

The clarification was necessary following a "wave of rumors, generated by the Peruvian press and aimed at the international community, that the Ecuadoran Armed Forces had bombed positions inside Peruvian territory," information Bulletin No. 20 of the Joint Command states.

The communique denies "categorically once again those rumors" and insists that this country's forces have limited themselves "to containing and neutralizing Peruvian attacks against Ecuadoran detachments located, as the national and international public know, inside Ecuadoran territory."

Ecuadoran military sources consulted by EFE emphasized today that "the political decision" has been made in Quito not to attack Peruvian positions.

Attacks have not even been launched against Peruvian detachments Soldado Vargas, Soldado Pastor, or Cahuide, located just opposite the Ecuadoran troops in the conflict area.

Ecuadoran military officers have reiterated these past few days that they only carry out defensive operations in the conflict area to halt the advances of Peruvian units

that attacked the detachments of Tihuinza, Coangos, Base Sur, and Cueva de los Tayos.

The Defense Ministry spokesman explained to EFE that the rumors are therefore illogical that Ecuadoran units could attack Peruvian military units such as Bagua, located 250 km south of the area where the fighting is taking place and where Peruvian troops who are participating in the fighting have their operations center.

Guayaquil Paper Reports Peruvian Arms Purchase in Russia

PA0802233495 Paris AFP in Spanish 1640 GMT 8 Feb 95

[FBIS Translated Text] Guayaquil, Ecuador, 8 Feb (AFP)—The Guayaquil newspaper EXPRESO reported this Wednesday that Peru has purchased six MiG-29 fighters, several helicopters, surface-to-air missiles, and munitions from Russia.

The newspaper of this port city on the Pacific reported that six Peruvian officers traveled to Moscow to finalize negotiations that "will allow Peru to increase its arsenal."

This purchase worth millions must be added to the spare parts Peru has purchased from Cuba for the Soviet-made equipment," EXPRESO adds.

For the past month, Ecuador and Peru have been engaged in a territorial conflict over a stretch of border that has not yet been delimited. The conflict, according to the Defense Ministry, has resulted in 11 Ecuadoran deaths and 26 injuries.

Congress Approves Measures To Pay for War Expenses

PA0802150795 Quito Voz de los Andes in Spanish 1200 GMT 8 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Ecuadoran Congress approved last night in a second and final debate the economic measures submitted by the government to cope with expenses incurred in the border conflict with Peru.

The economic measures, most of which are new taxes, will generate revenues for 232 billion sucres, about \$97.8 million, of which 90 billion sucres, or \$37.9 million, is a tax on motor vehicles. The Ecuadoran Government announced last week the creation of new taxes to pay for military expenses stemming from the conflict with Peru, thus preventing imbalances in the country's 1995 economic program. The special bill, which will now be turned over to President Sixto Duran-Ballen for his signature, also includes the allocation of railroad modernization funds for military expenses.

Ecuadoran legislators and councilmen also agreed to give up five days of their salaries, and government and private employees will also give up (two) days of their salaries, which should generate resources for 32 billion sucres, some \$13.4 million.

Mistakes To Be Avoided When Dealing With Peru

95SM0182A (INTERNET) FOREIGN MINISTRY
GOPHER in Spanish 7 Feb 95 pp 1-3

[Commentary by Hernan Perez Loose from Guayaquil EL UNIVERSO 6 Feb 95]

[FBIS Translated Text] 6 February 1995—The great German philosopher G.W. Friedrich Hegel used to remind his students, with a combination of irony and pessimism, that if there is anything that men should learn from history, it is that men do not learn from history.

Hegel's witty analysis should serve as a serious warning to Ecuadoreans today, because the present moment and the next few days represent a historic juncture in which we could well repeat the errors of the past.

The confrontation with Peru is presumably about to shift to the diplomatic and political level. If in the resistance effort the Armed Forces have shown an admirable sense of organization, great bravery, and a high degree of professionalism, along with the chief of state's brilliant handling of the crisis, then the time has now come to deal with the other fronts of every military crisis, politics and diplomacy, with equal seriousness and skill.

And it is on these fronts that Ecuador has always made its most serious mistakes, which regrettably it has repeated time and again.

Not "Taking the Plunge"

The first mistake that the government must avoid is taking the path of least resistance, which almost all of its predecessors have. Rather than make a difficult decision, they have preferred to see the dispute with Peru remain pending or, as it was once put, to keep "the wound open" so that the next government would have to "take the plunge."

This clumsy policy of Ecuador's ruling political class is largely explained by its mediocrity and by the orgy of electioneering in which it is constantly engaged.

Because Ecuadoran politicians have tried so hard not to "take the plunge" and address the problem with Peru, they have wound up doing serious damage to the complex process of this nation's historical consolidation.

One of the major beneficiaries of this behavior has been Peruvian expansionism, as Ecuador's desire to keep the problem unresolved has afforded it an excellent opportunity to advance and further consolidate its positions, be they territorial or diplomatic.

Our politicians' patriotism has, in the final accounting, been one of Peru's best allies.

Another mistake that this government must avoid is to lapse into the diplomatic timidity and formality that we have generally shown in dealing with Peru, and the people responsible for handling this delicate matter must likewise avoid histrionic initiatives and personal rivalries.

Last week Ecuador took the lead in noteworthy fashion on the diplomatic and media fronts.

The week began with Blasco Penaherrera's effective performance at the OAS and closed with the president's speech at the Cumana summit, which the Peruvian chief executive did not attend. It was a week that Fujimori could hardly have expected.

The time has now come, though, to give a new twist and lend fresh momentum to the foreign front. The government should strengthen its team with two of the finest foreign ministers that Ecuador has had in recent decades, Luis Valencia Rodriguez and Diego Cordovez. The former can contribute little or nothing from the Ecuadoran mission in New York; his experience would be more useful in Quito or Brazil.

Cordovez could become one of the key players in this crisis, much to the regret of the man who succeeded him as foreign minister. Not only did he, as a negotiator, give Peruvian diplomacy fits (as that country's main analysts indicated), but he is also enormously knowledgeable about the corridors and back alleys of international politics, which Ecuador is in great need of at the moment. His efforts with the State Department and his presence in Rio de Janeiro, for example, could be decisive for the country.

New Role

These new factors must be complemented with intensive political efforts worldwide. We are not talking about the traditional efforts of our ambassadors or the courtesy calls that delegations headed by government officials have paid.

The informal political relations that develop among players from various countries carry great weight today. It occurs to us that a personal visit this week from Oscar Hurtado to Eduardo Frei or from Rodrigo Borja to Henrique Cardoso or Carlos Menem, whose sympathy for Ecuador's cause the country cannot fail to take advantage of, could be extremely useful. Equally useful could be the cooperation of Pancho Huerta and Cesar Veduga in overseas nongovernmental circles.

Unlike Peru, one of whose former presidents is a wanted criminal while another can barely be understood when he speaks, and in spite of the absence of Galo Plaza, Ecuador has in its former presidents and other leading figures very valuable human resources whose contribution is urgently needed.

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Failure to make use of them, in some cases owing to domestic political fears or, in others, to career-related jealousies, would be an extremely serious mistake. We have made it before. Let us hope that we do not do so again.

PSC's Neira Discusses Constitutional Reforms

95SM0171B Quito EL COMERCIO in Spanish 16 Jan 95 p A3

[Interview with Xavier Neira, member of the PSC; place and date not given: "There Is No Superficiality in the Way We Pass Laws"]

[FBIS Translated Text] *Xavier Neira, member of the Social Christian Party (PSC) and president of the Special Commission for Constitutional Affairs, addressed three basic themes: the dispatch of constitutional reforms from the executive branch, slowness in the passage laws, and the implications of the Law for Educational Liberty.*

According to Deputy Xavier Neira, the balance sheet of the work of Congress, and especially the Commission of Constitutional Affairs (of which he is a member) is rather good. He does not agree that this commission received constant advice from government authorities during the passage of constitutional reforms. Not at all, he says.

Is he in favor of the referendum? His reply is yes, as long as Congress fails to give a satisfactory response to the people's aspirations concerning decentralization, social security, sectors of the economy, depoliticization of justice, and other subjects.

He denies that the Social Christian Party allows proposed laws to lie dormant in Congress, passing them only after long waits.

[EL COMERCIO] On 25 October, you told EL COMERCIO that the aim of Congress was to achieve an overall reform of the Constitution, not just a patchwork job. What have you done to accomplish this?

[Neira] The Constitutional Affairs Commission's report and the text of the reform proposal both work toward strengthening full democracy.

For example, the constitutional concept of agrarian reform was eliminated (Article 51 of the current Constitution) and was replaced by another that attempts to create an entrepreneurial standard in agriculture, in cooperatives, communes, peasant organizations, and other organizations.

The concept of trade union organization in the public sector was also eliminated with the repeal of Article 128, the last clause of which established that state employees at all levels were subject to the Labor Code.

Two institutions were added: the Public Defender's Office (to guarantee respect for human rights) and Habeas Data (providing access to credit information

from public and private entities, which is used to tarnish the reputations of third parties.)

[EL COMERCIO] You set aside those reforms that were considered controversial, to be dealt with in a second phase. How will these items be handled in Congress?

[Neira] We did not set aside controversial reforms for a second phase. The heads of the blocs were the ones who believed it necessary to approve, in first and second readings, the reforms that were not controversial—as in fact happened—and then the others.

We are trying to respond (whether it be by rejecting, approving, or amending the executive branch's proposals) to the people and to the government.

[EL COMERCIO] Will the controversial themes that are not dealt with by Congress provide sufficient arguments for this year's political campaigns?

[Neira] As the Social Christian Party, we are proposing a program of constitutional reforms, as are the other political parties and many civic organizations.

For example, we are proposing that the controversial Article 46 (about areas of the economy) be replaced by a new text, to be approved unanimously.

The new text reaffirms the existence of the four basic sectors of the Ecuadoran economy. However, it eliminates the concept of strategic sectors that has demonized the country's development. It allows any sector of the economy (through concessions or associations with the state) to provide basic public services, which are now being provided to the public inefficiently.

[EL COMERCIO] How do you justify the Social Christian tactic of allowing proposed laws to lie dormant in Congress for long periods, and then pass them just hours before the time limitations expire.

[Neira] It is not a tactic. That is an erroneous view of the matter. The PSC has only two members on the Constitutional Affairs Commission: Luis Gencon and Xavier Neira.

The commission attempted to develop a suitable balance between the individual, the social, the collective, and the universal. This is how it was possible to produce a document that reflects the views of all the members of the commission.

Positions of party were abandoned so that the country would be able to modernize its constitutional structure, as we face the challenges of the third millennium.

[EL COMERCIO] This kind of superficiality in passing laws has resulted in great problems arising later. How can this legislative mechanism be changed?

[Neira] There has been no superficiality. There was a great deal of debate in Congress. Do not think that Congress was able to accomplish in the final two days what it was not able to do in the first 98.

That is a mistaken way of looking at things. The commission did its work very responsibly. We were available to listen to the views of all sectors of society.

[EL COMERCIO] During the passage of the reforms, it was observed that all of the articles were approved by compromise, with little argument. One assumes that the National Congress is the center of political debate. But is there is no debate...? What are the deputies doing?

[Neira] Congress has spoken out on many subjects, not only on the manner of approving the budget, reelection, participation by independents, and dual citizenship (to be decided by the Popular Referendum of 28 August).

I was present at the death of agrarian reform and at the birth of a modern standard of agricultural development.

There has been a great deal of debate in Congress, and you cannot make the people believe that Congress did in two days what it could not do in 98.

[EL COMERCIO] How does your party foresee the possible effects that proposed laws might create? For example, were you able to see what would happen as a result of the religious law, passed with a Social Christian majority?

[Neira] The religious law is supported by a majority of the people. This is what the public opinion polls say, even those conducted by organizations opposed to the law. It is an option and not an obligation. If parents wish, their children will receive the lessons.

By not enforcing the law, the government is showing weakness. If the government decides to include it as one of the items in the referendum, it will be confirmed by a majority of the people.

[EL COMERCIO] How do you evaluate the results of the religious law?

[Neira] At the moment, one cannot speak of results. The government is only beginning to organize compliance with the law. The Ministry of Education said that the law will become effective at the beginning of 1996.

[EL COMERCIO] What solution does your party propose in order to resolve the conflict caused by the religious law?

[Neira] If it is part of the referendum, the people will decide.

[EL COMERCIO] You said that averting a second popular referendum would eliminate an unnecessary expense. What have you done to eliminate this unnecessary expense?

[Neira] I helped to gain the adoption by consensus, by the Commission for Constitutional Affairs, of a single position within the standards contained in the reforms that were proposed by the chief of state. The ostensible report by Juan Jose Castello, presented at the end of December 1994, was not a report of the majority. But

apart from that episode, which belongs to the folklore of Ecuadorian politics, the commission did its work responsibly.

Social Christian Party Facing Division

95SM0171A Quito EL COMERCIO in Spanish 15 Jan 95 p A6

[Article: "PSC: Leon and Nebot Under Attack"]

[FBIS Translated Text] Controversy: The Growing Crisis Among the Membership

Accusations from the Social Christian membership have a single focus: the dictatorial attitude of their leaders. The division in Congress deepens.

The Social Christian Party [PSC] is passing through a difficult period: mid-level members have questioned their leaders' management of the party.

Problems have arisen in five provinces and have taken their toll: five deputies are out of the party (the bloc decreased from 26 to 21 representatives) and about 100 members have resigned.

The reasons? There is agreement that the two principal leaders, Leon Febres Cordero and Jaime Nebot impose their orders unilaterally, without consulting the party's grassroots. It reinforces the point of view of Raul Baca (ID [Democratic Left]), in the sense that anyone who does not work for Nebot's campaign must leave the organization.

Fabian Fabara, from Cotopaxi, the latest of the deputies to be expelled, accused the PSC leadership of having a dictatorial attitude and of not accepting the deputies' judgment.

He charged that the resolutions adopted by the PSC in Congress come from Guayaquil already packaged. "This is what happened with the redistribution of the 682 billion sucres in budgetary surpluses."

According to Fausto Bravo, a leader from Azuay who resigned recently, there have been no elections to the provincial directorate since 1993. This is troubling because it is Nebot who designates the provincial directors.

In Bravo's opinion, deputy Susanna Gonzalez, provincial director of the PSC, remains in her position because of her close ties with the party's top leadership.

The split in the PSC in Azuay has an explanation: disagreement between the membership and the top national leadership.

In the Province of Los Rios, Eloy Muekay resigned from the party leadership and refused to return despite an open appeal that he not leave.

The problems in the PSC began in mid-August 1994, with the resignation of Councillor Ricardo Noboa, who

questioned the agreement with the PRE [Ecuadoran Roldosist Party]. Then, in October, Deputy Luis Almeida was expelled, charged with trying to blackmail ex-Energy Minister Francisco Acosta. Three more deputies resigned, in solidarity with Almeida.

In the National Congress, differences deepened: Deputy Johnny Teran, from Los Rios, was on the point of leaving. Two factions have taken shape. One follows the guidance of Rafael Cuesta, who is close to Nebot. The other supports the president of the Congress, Heinz Moeller.

The Organization Splits

The PSC in Azuay is splitting up. Signs of weakness were visible at the beginning of 1995, after the party made a strong showing in the elections of May 1994.

The almost 30 resignations that have occurred recently have a publicly acknowledged reason: the centralist and dictatorial management of the party by the national leadership. This has ignored the membership.

Fausto Bravo, who left the party, is protesting because there have been no elections to renew the provincial directorate since 1993. It is Nebot—he says—who appoints at will the provincial leaders.

Susanna Gonzalez, provincial director of the PSC, is more than a local leader, for the moment she is a deputy; also, her ties with the party's top leadership are close.

The reason for the split in the PSC in Azuay seems clear: disagreement between the membership and the national leaders.

Also, there are doubts about the real position of the party's leadership: Is it with the government or against the government?

Power-Struggle

Resignations, expulsions, and an antidemocratic leadership are the results of the internal crisis facing the PSC.

According to Ricardo Noboa, ex-PSC member, the crisis is due to the style of conducting politics of the party's leaders, and to their lack of communication with the grassroots.

"Inside the PSC, only three or four persons decide what happens with the membership. There is a surreptitious struggle to capture areas of power, and the zealotry of the leadership causes many of the decisions to be made in favor of Febres Cordero, Moeller, or Nebot."

Heinz Moeller and Xavier Neira agreed that it is the government that intervened or is trying to intervene to "buy the support of deputies to favor its interests."

They defended the party: Those who distinguish themselves get good positions; those who do not, lose influence and resign.

Neira believes that those who are in the party are the ones who belong there.

Everything Comes From Guayaquil

After the expulsion of Fabian Fabara, the deputy from Cotopaxi, came the resignation of Johnny Teran, from Los Rios.

Deputy Xavier Neira (PSC) admitted that the Social Christian bloc had an urgent meeting with Teran to clarify the situation.

The PSC's disciplinary tribunal said that Fabara's expulsion was due to his refusal to follow the party's positions.

Fabara charged the PSC's leadership with having a dictatorial attitude and not accepting the judgment of the deputies. He claimed that the resolutions that are adopted in Congress arrive already packaged from Guayaquil.

He said that his position was that preference should be given to local organizations in the distribution of the surplus of 682 billion sucres. "But they did not listen."

A number of resignations were announced in Cotopaxi as a result of his expulsion.

Regulation, Elimination of Trade Unionism Debated

95SM0171C Quito EL COMERCIO in Spanish 8 Jan 95 p A3

[Article: "Public Opinion Poll: No to Exaggerated Strikes in Public Services"]

[FBIS Translated Text] *Most people agree that the right to strike in the public sector must be regulated. Some want this practice to disappear. Others believe it to be an unrenounceable right. EL COMERCIO presents the views, as reported by a public opinion poll, of influential sectors of the country on trade unionism in the public sector.*

Public sector trade unionism is under attack: it is charged with being one of the causes of the political and economic weakness of the state. It is also accused of being a means of disturbing social peace by being an organizer of strikes.

These views were voiced by representative sectors of society that were consulted by EL COMERCIO on how themes in the constitutional reform proposal, which is being debated in the National Congress, should be handled.

But trade unionism also has its defenders, who believe that the methods employed by trade unions are rights, and their suppression would constitute a violation of human rights.

There are those who concede that trade unionism in the public sector should exist, as long as its practice is regulated to control excesses.

Vice President of the Congress Marco Proano supports trade unionism as a right that has been won, and which cannot be denied by any constitutional provision. What should be prevented are strikes in the energy and health areas and, in general, in those sectors where they would threaten public order.

Absalon Rocha, national leader of the DP [Popular Democracy Party], recognizes the right of trade unionism in the public sector, as long as there is regulation of the right to strike as well as of collective bargaining. "The Labor Code determines who workers are in the public and private sectors, and there are international conventions that guarantee the trade union rights of public servants." Rocha acknowledges that this guarantee has been abused by the demagoguery of leaders.

Fernando Morales, secretary of the MPD [Democratic People's Movement], maintains that all workers have the right to organize to defend what they have won by trade union action, and their job security. He says that in countries that are in deep crisis, the least that can be granted is the right to protest.

According to Victor Granda, secretary of the PSE [Socialist Party of Ecuador], trade unionism constitutes the principal problem of the state, but Ecuador is a signatory of international conventions that commit it to respect trade union rights. He agrees that the exercise of public employees' labor rights must be regulated so that they do not conflict with the rights of the public.

The national head of the PSC [Social Christian Party], Jaime Nebot, supports trade unionism in the public and private sectors, but is opposed to its excesses and privileges. "A strike should be the result of failure to comply with a ruling, not a means of pressure to achieve that ruling. Problems caused by disrespect for the law, not labor connected, and considered by the law to be criminal, should be sanctioned by applying the law justly to maintain public order in the country."

Alfredo Castillo, head of the RN [expansion not given], believes that public employees should be organized, although not in trade unions, and be able to defend their rights, obligations, and other areas that are subject to improvement by public administration. To include them in the same category as workers would be bad for both groups, because it would reduce the effectiveness of social programs.

Edgar Guerrero, head of the PUR [Republican Unity Party], believes that well directed trade unionism in the public sector can be a positive factor in managing institutions and ensuring that communities take part in development programs.

According to Jose Guerrero, leader of the modern CFP [Concentration of Popular Forces] (Pichincha), individual rights should be secured by using the protection

provided by the law, because trade union leaders represent neither employees nor workers, and merely mold themselves into a self-serving group.

FRA [Alfarist Radical Front] Deputy Fabian Alarcon believes that social rights, including labor rights, should not be reduced, much less proscribed, for any sector. He says that recognition of the claims and rights of public employees must not conflict with nor affect social goals.

The Association of Generals and Admirals of the Armed Forces, through its president, Carlos Gudino, favors respecting existing arrangements in accordance with the international conventions that Ecuador has signed.

Enrique Leon, of the College of Lawyers of Quito, says that trade unionism in the public sector has brought about an increase in bureaucracy and idleness, and the political and economic weakening of the state.

Nicolas Castro, of the College of Lawyers of Guayas, is of the opinion that public sector trade unionism, as it is understood and practiced in Ecuador, has had disastrous consequences.

The rector of Central University, Tiberio Jurado, would condition the recognition of public sector trade unionism on the efficiency of its services.

The vice rector of Catholic University, Carlos Jimenez, is opposed to trade unionism because it is a threat to community services.

Enrique Ayala, rector of Andina University, believes that the abuses that might exist in trade unionism would not be eliminated by denying basic labor rights.

In the view of Raul Izurieta Mora Bowen, president of the AER [Ecuadoran Association of Broadcasters], a public sector strike is a form of encouraging conflict between the employees and the people.

Emphatic Opposition

Trade associations are opposed to public sector trade unionism.

Andres Perez, president of the Quito Chamber of Commerce, accepts trade unionism only for private sector workers. Employees in the public sector should be subject to administrative law. In agreement are the director of the Chamber of Agriculture of the First Zone, Raul Morales, and the president of the Guayaquil Chamber of Industry, Werner Moeller.

The president of the Pichincha Chamber of Small Industry, Manuel Nieto, proposes limiting the rights of public sector trade unionism in order not to jeopardize the interests of the majority of Ecuadoreans. In agreement are the Chamber of Industry of Loja, the Chambers of Artisans and of Commerce of Ambato, and the Manta Chamber of Commerce.

Rodrigo Andrade, president of the Chamber of Construction of Guayaquil, sees no reason why the public sector should be exploited by collective bargaining, petitions, and strikes.

No Change

Trade union leaders believe that there should be no discrimination in the labor field. The president of the Ecuadoran Federation of Free Trade Unions, Julio Chang, is opposed to the proposal that would give the option to unionize only to workers, because it would constitute a flagrant violation of human rights.

Ramiro Veloz Cueva, national leader of the CEDOC [Ecuadoran Confederation of Catholic Workers], is in favor of retaining Article 178 of the Constitution. He explains that his position is in accord with the ILO [International Labor Organization] conventions on this matter.

The president of the Guayaquil Chamber of Commerce, Luis Trujillo Bustamente, says that there is no justification for eliminating trade union rights for administrative employees. "Whichever mechanism is chosen, trade unionism or not, should be the same for everyone."

[Box, p A3]

The Future

Controversy: There is no consensus between the various sectors on the subject of trade unionism. Each one envisions a different and conflicting solution. Therefore, the government will have to develop an ample dialogue on the matter before taking any measures.

The Referendum: Without question, the trade union issue should be one of the main points in the popular referendum. Opinion is so divided that some believe that unionism should be limited, while others want to leave things as they are.

The Executive: In the program of constitutional reforms proposed by the executive, it is recommended (it is the most important point) that trade unionism should be limited exclusively to workers in the public sector. This means that all those working in administrative jobs would be excluded.

Paraguay

President Offers To Mediate, Join Peacekeeping Forces

PY0802162895 Asuncion NOTICIAS in Spanish 8 Feb 95 p 35

[FBIS Translated Text] An official source reported on 7 February that the Paraguayan Government is willing to send military personnel to the area of contention between Peru and Ecuador to join a peacekeeping force in charge of monitoring a possible neutral zone in the

area. President Juan Carlos Wasmosy reiterated his concern about the continued hostilities between Peru and Ecuador.

It was also learned that the head of state had reportedly reiterated his offer to mediate directly between the feuding countries so as to achieve an urgent cessation of hostilities. He went as far as to offer to travel to Lima and Quito to personally meet with his Peruvian counterpart Alberto Fujimori and his Ecuadoran counterpart Sixto Duran-Ballen.

If an agreement is reached on a cease-fire in the Condor Mountain Range, the Paraguayan Armed Forces may join a multinational contingent to control the demilitarized zone, which would be the first step to guarantee peace between the combatants.

Following a ceremony to mark the resumption of flights by LAPSA [Paraguayan Airlines Inc.] held at "Silvio Pettirossi" Airport, Wasmosy held talks with Ecuadoran Ambassador to Paraguay Gustavo Cordovez and with U.S. Charge d'Affaires Gerald McCulloch, whose country is one of the guarantors to the Rio de Janeiro Protocol.

The head of state reiterated that he favored an immediate cessation of hostilities and once again offered to cooperate in trying to reconcile Ecuadoran and Peruvian positions. It was leaked that Wasmosy requested a direct call to U.S. President Bill Clinton. Wasmosy would have asked for more direct participation in the search for a peaceful settlement.

It was also learned that on 7 February, the Uruguayan Government requested the "urgent" summoning of the OAS Council of Ministers, thus adopting a similar position to the one voiced by the Paraguayan Government on 2 February.

Ecuadoran Ambassador Calls U.S. Action 'Stupid,' 'Absurd'

PY0802151495 Asuncion ABC COLOR in Spanish 8 Feb 95 p 25

[FBIS Translated Text] Ecuadoran Ambassador to Paraguay Gustavo Cordovez Pareja, on 7 February, described the attitude of the United States to the armed conflict between Ecuador and Peru as "stupid." Cordovez contends that the United States should intervene in this conflict for humanitarian reasons to reconcile two sister nations that are killing each other. He praised President [Juan Carlos] Wasmosy's initiative in offering to mediate between the warring nations. He disclosed that Wasmosy promised to phone Bill Clinton to arrange an audience for Ecuadoran President Sixto Duran-Ballen.

Asked to comment on the U.S. position on this conflict, the Ecuadoran ambassador replied emphatically: "Stupid. Even though the United States participated in humanitarian endeavors—like in Haiti to reinstate

[President Jean-Bertrand] Aristide—it is more interested in economic matters, as we can see by what it is doing with [Mexican President] (Ernesto) Zedillo. Now it is witnessing an internecine war between two sister nations without doing anything. It is totally absurd that it should shy away from mediating in the conflict."

Asked to confirm if he really termed the U.S. action stupid, Cordovez reiterated: "Of course it is stupid ... it is a stupid thing to do."

He added that Wasmosy promised he would intercede with Clinton on behalf of Duran-Ballen, who wants a private audience with Clinton to personally explain the problem with Peru. He reported that Wasmosy offered to mediate in whatever he could do and that he is willing to do whatever Peru or Ecuador ask if it contributes to a settlement.

Wasmosy took advantage of the ceremony at the airport yesterday to mark the inaugural flight of "Paraguayan Airlines Inc" (LAPSA) to talk to Cordovez and to Gerald McCulloch, the U.S. charge d'affaires in Asuncion, to convey his concern about the conflict between Ecuador and Peru.

Peru

Justice Minister: War Not To Be Declared Against Ecuador

PY0802233995 Rio de Janeiro O GLOBO in Portuguese 8 Feb 95 p 19

[Article by correspondent Deborah Berlinck]

[FBIS Translated Text] Geneva—Peruvian Justice Minister Fernando Vega Santa Gadea has said that Peru will not officially declare war against Ecuador, even if the negotiations for a cease-fire at the border fail.

While in Geneva, Vega Santa Gadea told O GLOBO that "it is not a war, it is merely a conflict, a minor infection that can be treated by the medical board. This minor infection will not spread."

He said the agreement between Peru and Ecuador "is in the hands of that medical board." He was referring to Brazil, the United States, Chile, and Argentina, the four guarantors of the Rio Protocol, a treaty that was signed in 1942 and which established the border between Ecuador and Peru.

Vega Santa Gadea admitted that neither Peru—which last year registered Latin America's highest growth rate (approximately 12 percent)—nor Ecuador can finance a war. He said that President Alberto Fujimori, who will run for reelection on 9 April, does not want to increase his popularity by sacrificing Peruvian soldiers.

"We cannot afford to spend money on a war. Peru is a mature and wise country that has experienced the hardships of terrorism and wants peace and integration," he

said, after briefing the United Nations Human Rights Commission on the Peruvian victories against terrorism.

He said, however, that in exchange for peace on the border, Peru will not give up "a single centimeter in territorial concessions." The minister charged Ecuador with entering Peruvian territory, noting that there is only one solution for the conflict: Ecuador must respect the border established by the Rio Protocol and agree to create a joint commission with Peru to decide on the 78 km border stretch that was not established in 1942.

Foreign Ministry: 46 Detained Peruvians Released in Ecuador

PY0802190495 Madrid EFE in Spanish 1359 GMT 8 Feb 95

[FBIS Translated Text] Lima, 8 Feb (EFE)—Today the Peruvian Foreign Ministry announced that 27 Peruvian citizens who had been detained in Machala, Ecuador, were released, and that another 19 are still imprisoned in that town.

Another 15 Peruvians detained in Loja, one in Quito, and three private fishermen captured in Ecuadoran territorial waters in their ship Jimmy were also released, thus making a total of 46 released.

The Foreign Ministry stated that the Peruvian Consulate in Machala is negotiating the release of the other 19 Peruvians.

According to the Foreign Ministry, personnel in the Machala consulate are constantly harassed by Ecuadoran military intelligence personnel.

The Peruvian ministry stated that in Macara, Ecuador, the search for Peruvian citizen Alejandro Huima Milan continues, while 34 Peruvians travelled from Guayaquil to Peru. No further arrests have been reported.

Peruvians Receive Anti-Aircraft Artillery South of Tihuinca

PY0802182995 Lima Radio Programas del Peru Network in Spanish 1355 GMT 8 Feb 95

[Live relay by Jorge Fernandez Sanchez at El Milagro base with reporter Guido Lombardi in Lima studios]

[FBIS Translated Text] [Lombardi] Good morning Jorge Fernandez Sanchez. We heard your report last night at about 2000 on the intensification of military movements in Bagua and El Milagro zone which indicated further clashes on the border. How did you arrive to that conclusion Jorge?

[Fernandez] Yesterday morning I reported on the arrival of three planes transporting a lot of heavy weapons. General Vladimiro Lopez Trigoso came from El Milagro base to the El Valor helicopter base near here. We were told by some officers that he came to verify the arrival of

these heavy weapons. They include bazookas and anti-aircraft artillery. This confirms an attack by the Ecuadoran Air Force.

Reliable sources have said the Peruvian southern base [south of Tihuinca] was attacked by Ecuadoran helicopter gunships called Pumas. "The Pumas are attacking us," that is what we heard here in El Milagro base.

The Peruvians are still in the southern base which Ecuador wants to take over to prevent the Peruvian Army from getting to Tihuinca which is already surrounded by our troops.

Tihuinca as a circle of enormous hills, at least 10 hills that are 2,200 or 2,800 meters high. In the center is the Tihuinca base. This means Peruvian troops must dislodge—if they have not already done so—the Ecuadoran soldiers from there.

The part that remains to be taken over is the center of Tihuinca which is surrounded by a mine field which makes access difficult, especially now that the Pumas have attacked the Peruvian southern base, south of Tihuinca, to prevent the Peruvian Army from carrying out a final and definite attack to dislodge the Ecuadorans that still remain in Tihuinca. This is the latest report we received a few minutes ago.

[Lombardi] Has Tihuinca ever been recovered?

[Fernandez] No, what we know is that the Peruvians managed to climb the hills around Tihuinca, but the Ecuadorans in the watch posts of Coangos and Landeras, which are ahead and at a higher altitude in Ecuadoran territory, are hindering the advance of the Peruvians. Given that the zone is really a jungle and marshland, it is very difficult to advance. Even so, the Peruvian Army managed to surround Tihuinca and it is only awaiting reinforcements and the order to carry out a total attack.

Tihuinca is surrounded, that is why the Ecuadorans are attacking the southern base to prevent the Peruvian Army from advancing toward Tihuinca. That is the situation so far. I hope things will change, but the Peruvian Army is still in the southern base which yesterday afternoon was attacked by Puma helicopters.

[Unidentified reporter] Jorge, here in Lima we heard that Cueva de los Tayos had also been attacked by the Ecuadorans. Do you know anything about it?

[Fernandez] Well, Cueva de los Tayos was also being attacked by the Ecuadorans. Since Watch Post No. 1 is located in front of it, the watch post received the worst attack. Some bloody battles were fought there yesterday, according to some officers who came here bringing wounded soldiers. Ecuador is attacking Watch Post No. 1 from the west. It is attacking the southern base from the east or from Coangos. This is what we learned yesterday. They are attacking with Puma helicopters from their Air Force.

[Lombardi] Is the Peruvian Air Force participating only with helicopters? Have bombers or fighter planes participated in the battle north of [name indistinct]?

[Fernandez] The Peruvian Air Force has not intervened, although we have seen two Mirage airplanes fly over Bagua. If the Air Force intervenes, the war will worsen, because this war is centered only in the zone invaded by the Ecuadorans who are being dislodged mercilessly by the Peruvians. We are simply waiting. We know the Peruvian Air Force has not answered the Ecuadoran air attack. Peruvian reinforcements are being sent by land and air. Peruvian air transportation planes are not attacking and not answering the Ecuadoran Air Force fire.

[Lombardi] How long does it take for an Army detachment from Bagua to get to the Cueva de los Tayos base or to the combat zone in Tihuinca?

[Fernandez] Soldiers are being transported by helicopters because there are no roads there. This is one of the difficulties in this situation. One must arrive there either by river, and it takes four days by boat or raft, or by air. Therefore, all transportation is being done by air with helicopters.

[Lombardi] Jorge, thank you for the information. Look after yourself and keep reporting.

[Fernandez] We'll be back anytime. Thank you.

Fujimori Visits El Milagro Base, Reports on Fighting

PY0802214695 Lima Radio Programas del Peru Network in Spanish 2032 GMT 8 Feb 95

[Live telephone relay by Rocio Vicente from Bagua]

[FBIS Translated Text] President Alberto Fujimori, who is visiting the El Milagro military base in Bagua Chica, Jaen Province, said that his government's immediate objective toward resolving the border dispute is the eviction of all Ecuadoran troops from Peruvian soil, and immediately after that a final border demarcation between Peru and Ecuador in the zone of Cunhuime Sur, in accordance with the Rio de Janeiro Protocol, must be made.

Fujimori added, however, that the solution must be found in the military and diplomatic field. He confirmed that our troops are gradually taking command over the Tihuinca zone with air bombing operations. He said the number of Peruvian casualties is 29 dead soldiers, six missing pilots, and 50 wounded.

[Begin recording] [Fujimori, in progress] ...the country to prevent an expansion of the conflict.

[Reporter] [passage indistinct]

[Fujimori] But we are quite alert, and we have [passage indistinct].

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[Reporter] What is the logical concept [words indistinct] to manage all the troops in the area of conflict?

[Fujimori] Look, a great deal has been said about the [words indistinct]. We have not really made major purchases, because our fleet [words indistinct] has been operative for a few years. We have recovered them completely. We did the same with our naval fleet and Army vehicles. There have been no last minute purchases [words indistinct]. The greatest spending is basically fuel and deployment. [passage indistinct] of the entire operation is about 20 to 25 million soles.

[Reporter] [passage indistinct]

[Fujimori] This is information provided by the media, but probably before the conflict. Without any doubt Ecuador was getting ready for this type of (?operation). [end recording]

President Fujimori also said that the tour made by Ecuadoran President Sixto Duran-Ballen was a desperate action. He called on the Peruvian public to have confidence that this conflict will be resolved in the best way. Fujimori is now visiting the wounded soldiers being treated in the mobile hospital of the Social Security Institute, which is operating here at the Los Milagros military base.

Further on Fujimori Comments

PY0902031995 Lima America Television Network in Spanish 0100 GMT 9 Feb 95

[Report by Martin Calderon; from the El Milagro military base in Bagua]

[FBIS Translated Excerpt] President Fujimori was welcomed by Peruvian soldiers wounded at the battlefield. They are recovering at the Social Security Hospital installed in the El Milagro barracks in Amazonas. Fujimori greeted and congratulated one of the soldiers. He autographed the cast the soldier was wearing. [passage omitted]

[Begin recording] [Unidentified reporter] What do you think about the morale of the troops?

[Fujimori] I believe their morale is extraordinarily high. Even the wounded are very proud of their fatherland.

[Reporter] They want to return to the battlefield.

[Fujimori] That is correct. This is quite encouraging, because they want to return to the battlefield.

[Reporter] [words indistinct] advantage in comparison to Ecuadoran troops?

[Fujimori] There are doubts in this regard, because they stand in battle while the others run. [end recording]

The president arrived at the El Milagro military base in the company of Armed Forces Joint Command Chairman Nicolas de Bari Hermoza Rios. They were

briefed on the latest news about the battle the Peruvian Armed Forces are currently waging against Ecuador.

Fujimori later discussed this and other issues with the press.

[Begin recording] [Fujimori] Right now we are attacking the Ecuadoran post in Tihuinza. Peruvian forces are waging a constant full attack that also encompasses air operations.

Yesterday at about 1400 there was bombing of specific points in this area. As of 0300 this morning, Peruvian troops are advancing in this region. Progress is, of course very slow, because this is difficult terrain. Peruvian troops have, however, already taken over the main hills.

The latest reports on Peruvian casualties submitted to me state that the Army has suffered 29 casualties, that is, 29 dead, because the number of injured is larger. Moreover, six pilots have gone missing in air accidents.

Undoubtedly our immediate short-term objective is to achieve a cease-fire, because all of us want peace, but this will be achieved once all Ecuadoran troops present in Peruvian territory are dislodged. This is our immediate objective. Naturally this would of course result in a cessation of hostilities and the withdrawal of military positions to our respective territories.

President Duran-Ballen's trip does nothing more than confirm the prevalence of the Rio de Janeiro Protocol, as he has resorted to the presidents of Chile, Brazil, and Argentina in their capacity as guarantor countries.

I would describe it as a desperate tour to try to convince people of Ecuador's irrational position, which is not in compliance with international treaties.

[Unidentified reporter] Mr. President, how much does it cost to mobilize the troops to the conflict area?

[Fujimori] Look, a lot has been said about cost. In fact we have not made any major purchases, as our entire air fleet, for example, has been operative for a few years. We have recovered them completely. We did the same with our naval fleet and Army vehicles. There have been no last minute purchases such as those that Ecuador is allegedly making. The greatest spending is basically fuel and deployment. There is cost [words indistinct] of the entire operation is about 20 to 25 million soles. [end recording]

President Fujimori did not make the return trip alone. He evacuated to Lima eight soldiers who need special medical attention in the capital. They embarked aboard the helicopter that took them to Amazonas, where they boarded the presidential plane that was awaiting them in Jaen Province, Cajamarca.

According to the latest reports Peruvian troops continue to fight in the jungle, conquering centimeter by centimeter the so-called Tihuinza region. We have been

informed that if things continue like this, Ecuadoran troops will be dislodged from Peruvian territory very soon.

Ecuadoreans Launch Counteroffensive To Recover Tihuinza

PY0902004895 Lima Radio Programas del Peru Network in Spanish 2312 GMT 8 Feb 95

[Live telephone relay by Ismael Byron Horna from the El Milagro military base in Bagua]

[FBIS Translated Excerpt] [Announcer] Good afternoon, Ismael.

[Horna] Good afternoon, Alvaro Ugaz. We are here at the El Milagro military base, which is located in the Amazon Department, where it 37 degrees.

As is well known, President Alberto Fujimori Fujimori today paid a surprise visit to this military base, where four armored helicopters from the Army have evacuated wounded soldiers from the combat posts on the border with Ecuador.

Until now it is difficult to establish the number of wounded and casualties, if there have been any, in the harsh fighting that Peruvian troops are waging to recover the Tihuinza area.

After being dislodged from the Base Sur watch post, located north of Cueva de los Tayos, Ecuadoran forces have launched a counteroffensive to invade this area. The Peruvian Army is however rejecting this attack in hand-to-hand combat.

It has become obvious that local residents in Bagua are experiencing a hike in the price of staples, because speculators are taking advantage of the situation to increase food prices. [passage omitted]

Right now I would like to inform you that the Peruvian military have established a strong cordon around the El Milagro military base. Moreover, we are expecting more reports about the harsh combat that Peruvian Army forces are waging in Tihuinza and Base Sur.

We will be expanding this report in a couple of minutes. [passage omitted]

Defense Minister Discusses Border Conflict

PY0902012195 Lima Radio Programas del Peru Network in Spanish 0018 GMT 9 Feb 95

[Report by Patricia Echegaray from Congress—live]

[FBIS Translated Text] Defense Minister Victor Malca Villanueva is now giving a news conference in Congress regarding his report to the Congress Leadership Council about the border conflict with Ecuador. Let us listen to part of the news conference:

[Malca Villanueva] The distortions are not new. There were distortions in 1990, 1991, 1989. The Ecuadoran forces also infiltrated Peruvian territory in Falso Paquisha in 1981. The distortions come from many years back, as this is the Ecuadoran strategy, to infiltrate people and then say that the posts established are in Ecuadoran territory by giving the names of its territories to the new sites it occupies. This is why there were Falso Paquisha, Falso Teniente Ortiz, and a series of names in Ecuador that were used in our territory after infiltrating it.

[Echegaray] Minister Malca is being asked why Peru did not strike a great blow against the Ecuadoran invasion of our territory. Minister Malca also confirmed that there are no war prisoners yet in the border conflict. He also said there is no determined number of missing and wounded, and that there are 31 dead soldiers, including five officers.

[Malca Villanueva, in progress] ...the unmarked border line of three to four kilometers.

[Unidentified reporter] Is it true there are several kilometers of minefields?

[Malca Villanueva] The Ecuadoran Army set up mines around Tihuinza to prevent the movement of our troops.

[Reporter] How many kilometers?

[Malca Villanueva] I cannot say how many kilometers, but it is a large zone. I cannot say in kilometers. You should realize it is very harsh terrain, and our troops are attacking uphill.

[Reporter] [passage indistinct]

[Malca Villanueva] Yes, the helicopters and the Air Force are carrying out support operations. The Air Force has been bombing the area, it bombed yesterday and today. The Air Force is supporting the Army to lift the morale of the personnel.

[Echegaray] That was part of the news conference being given by Defense Minister Victor Malca Villanueva in Congress. Malca also said that the cost of this border conflict is not yet known. It will have more information any time. We can go back to the sports program.

General De Bari: Hard To Say When Conflict Will End

PY0802144495 Madrid EFE in Spanish 1237 GMT 8 Feb 95

[FBIS Translated Text] Lima, 8 Feb (EFE)—General Nicolas de Bari Hermoza, the Armed Forces Joint Command chief, has said it is hard to say how long the armed conflict with Ecuador will last from the military viewpoint.

Speaking from the theater of operations by Television Channel 2 last night, Hermoza added that the conflict must receive a "political answer" from the United

States, Argentina, Chile, and Brazil—the guarantor countries of the 1942 Rio de Janeiro Protocol which established the border between Peru and Ecuador.

Gen. Hermoza added that Peruvian troops are about to evict Ecuadoran troops from the Tihuiza base which, according to Peruvian authorities, is in Peruvian territory.

He added that Peruvian troops, which do not number more than 1,500, are entrenched along the Tihuiza front.

Reinforcements Deployed to Base Sur, Cueva de los Tayos

PY0902000495 Lima Radio Programas del Peru Network in Spanish 2238 GMT 8 Feb 95

[Live telephone relay by Jorge Fernandez Sanchez from Bagua]

[FBIS Translated Text] [Fernandez] Good afternoon. One thousand soldiers from the antisubversive battalion of Upper Huallaga arrived today at the El Valor heliport and were immediately deployed to the conflict zone. Of these, 300 are being deployed to the (Imacita) post, while the remaining 700 soldiers are being deployed by Army and Air Force helicopters to Base Sur and Cueva de los Tayos. It was reported that the soldiers of the antisubversive battalion being deployed to (Imacita) will be reinforcing that zone to prevent infiltration by Ecuadoran troops in that region.

Meanwhile, members of peasant defense patrols from Bagua and (Combayin) also arrived at El Valor to express their support for the Armed Forces and their rejection of the Ecuadoran invasion. Eugenio Filatoma Sanchez, leader of peasant defense patrols, said the peasants are ready to provide not only their moral support but also their direct participation by going to the conflict zone.

[Begin Filatoma recording] We came here to tell our glorious Army that we are ready to participate. The president of our Republic will decide. And we, as people who were born in this Peruvian mountain range, who carry Peruvian blood, are willing to defend our rights. [end recording]

[Fernandez] This was a live report by Jorge Fernandez Sanchez from Bagua.

[Announcer] I would like to say something. Are you still on the line?

[Fernandez] Yes.

[Announcer] You mentioned that about 300 soldiers of the antisubversive battalion are being deployed to Base Sur and Cueva de los Tayos. According to a communique from the Armed Forces Joint Command, these bases were taken by Peruvian troops but are being

bombed by Ecuadoran forces. In addition to soldiers, have you seen other types of deployment, such as tanks, or military weapons?

[Fernandez] The 700 soldiers of the antisubversive battalion?

[Announcer] You are right, 700 soldiers.

[Fernandez] The 700 soldiers were deployed to Cueva de los Tayos and Base Sur by helicopter, and the remaining 300 soldiers are being deployed by surface to the (Imacita) post with the purpose of reinforcing this zone to prevent an infiltration by Ecuadoran forces. I can say with certainty that Bagua is becoming an arsenal, because heavy weapons are coming. The Antonov airplanes brought heavy weapons all day yesterday and this morning to El Valor. Only a few reporters remained at El Valor after President Alberto Fujimori came to the El Milagro military camp to visit with the wounded soldiers brought from the front lines. The Antonov airplanes continue to arrive. The soldiers of the antisubversive battalion of Upper Huallaga should be on the front lines by now, because they were taken by helicopter. The other soldiers deployed to (Imacita) are on their way, because this trip takes a few hours.

[Announcer] Therefore, 1,000 soldiers are being deployed for reinforcement at (Imacita), Base Sur, and Cueva de los Tayos. Have the soldiers who returned to the El Milagro military camp talked about the weather conditions, the combat area at the Cenepa River?

[Fernandez] There has been torrential rain in the last few days. This makes air attacks very difficult, especially by Peruvian helicopters. This area is very muddy, and the soldiers who returned said the battles were bloody, harsh, but Peru continues to hold these posts, which have not been recaptured by the invading enemy.

[Announcer] Thank you very much to Jorge Fernandez, reporting to us from Bagua about the movement of Peruvian troops in the conflict zone.

Foreign Journalists on Hazardous Conditions in Field

PY0802161395 Madrid EFE in Spanish 0632 GMT 8 Feb 95

[FBIS Translated Excerpt] Lima, 8 Feb (EFE)—Foreign journalists who visited the conflict zone have reported that the armed conflict between Peru and Ecuador took the former country by surprise and seemingly forced it to improvise its war logistics.

Richard Bauer of the Swiss media, and Sally Bowen of THE FINANCIAL TIMES of London, who travelled independently to Bagua, the center of the Peruvian military operations, some 250 km from the front line, told their story when they returned to Lima after a 40-hour ordeal.

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After describing the precarious facilities at the "Valor" airport in Bagua, Bowen said: "We have come to the conclusion that the Peruvians did not expect this war and have had to improvise many things to be able to wage it."

Bauer reported that a Peruvian Antonov cargo plane was out of service during the first days of the conflict, which today enters its 14th day. Its undercarriage was damaged because the "Valor" landing strip is too narrow to handle this kind of aircraft.

He also mentioned an important bridge that links Bagua with the Peruvian coast that can only be crossed by heavy vehicles one by one due to its bad state of repair.

Sally Bowen said supplies that arrive at this airport are stored "practically out in the open," under improvised precarious wood and masonry roofs.

She said Luis Rubio, chief physician of the field hospitals in the conflict zone, was phoned at dawn on the day the war broke out, 26 January, and that he had to mobilize his personnel and equipment to the border zone at 0500 that same day.

Bauer said that all the people he interviewed in Bagua told him that there was no deployment of troops at the "El Milagro" military base, the center of the Peruvian military operations, until the conflict started.

Approximately 100 soldiers per day are being transported to this base where they are trained for a few days and then transferred to another base called *Ciro Alegria*, from where they travel by helicopter to the nearest point to the battle front known as PV-1.

To reach the combat zone from there, the troops have to walk at least one day through areas infested with wild animals, bats with rabies, and in heavy rainfall.

Under these conditions, Peruvian and Ecuadoran troops even engage in hand-to-hand fighting.

The war is centered at the Cenepa River water head, on the eastern slope of the Condor mountain range that, according to the Rio de Janeiro Protocol, belongs to Peru.

Ecuador maintains that this region belongs to it because it says the borderline established by the protocol is mistaken. Ecuador maintains that the war is being waged in its territory. [passage omitted]

Crude Oil Purchases From Ecuador Suspended

PY0802170595 Madrid EFE in Spanish 1536 GMT 8 Feb 95

[FBIS Translated Text] Lima, 8 Feb (EFE)—Petroperu [State Petroleum Agency] President Emilio Zuniga today disclosed that Peru has suspended its crude oil purchases from Ecuador due to the armed conflict between the two countries.

These purchases account for only 8 percent of the domestic oil consumption, "therefore, the suspension will not affect our fuel supply," said Zuniga.

He added: "The main advantage of purchasing crude from Ecuador is the lower freight cost because Ecuadoran ports are near."

An Andean Group source stated that the decision will affect Ecuador more than Peru because its oil export to Peru were free of custom tariffs via the Andean free market, and because transporting this product to Peru costs little.

Zuniga explained that the purchases were suspended "due to the conflict" adding: "They will probably be resumed as soon as the situation returns to normal."

Congressional Lists, Election Notes

95SM0165A (Internet) DESCO Gopher in Spanish 19 Jan 95

[From Resumen Semanal]

[FBIS Translated Text] When the registration period ended at 1430 on 9 January, a total of 2,700 persons on 23 slates had registered with the National Election Board (JNE) as candidates in the race for one of the 120 seats in the next Congress of the Republic. The outcome will be determined in the general elections this coming 9 April. (Most dailies 10 Jan 95)

Lists Critiqued

C90-NM

Manuel D'Ornellas (EXPRESO 10 Jan 95) said that "the Change 90-New Majority slate is, with a few exceptions, just more of the same, pure and simple, with no major changes or ballyhoo. This is surely because this is the message they want to spread—that voting for the government party congressional slates means confirming the continuity of what has been achieved in these almost five years. And with the same people and the same programs that made this possible, and with a legislative bench made cohesive by this program, so that they will not scatter subsequently, attracted by their real ideological poles."

UPP

Mirko Lauer (LA REPUBLICA 10 Jan 95) said that "if the goal of Javier Perez de Cuellar (JPC) was to develop a varied parliamentary slate, he has succeeded. The best thing is not to focus too much on the details, concentrating instead on the overall picture—a truly psychedelic mosaic, which nonetheless speaks well of Perez de Cuellar's ability to articulate what is diverse. An additional surprise is that the Union for Peru (UPP) promised those included on such a varied slate not to wage any preferential campaigns. This is quite understandable with a slate characterized by the ideological uniformity and internal discipline of a party (Alberto Fujimori has

demanding veritable letters of commitment from his candidates), but not with one made up of free independents. The UPP could establish some internal norms for basic orientation for itself, and it could perhaps appoint an ethics committee to talk with the candidates on each specific case. It would then be creating 120 possibilities for developing unity out of diversity, which is the true splendor of organization. The question about this slate, then, is not so much who is satisfied with it or who is disappointed, but rather how many additional votes it can provide for its presidential candidate. This means emphasizing the obvious differences on the slate in an organized way, rather than trying to conceal them by imposing limits on activism, which is not only an electoral process, but represents citizens' protests, as well. Perhaps in this way the puzzlement can be dispelled, and we will remember that San Martin de Porres was not a jailer, but a host."

'Four Categories'

The following appeared in LA REPUBLICA (11 Jan 95): "If the 23 slates were to be divided into categories, we believe that four could easily be distinguished. The first category would include the principal opposition slate and the Fujimori slate. Ambassador Javier Perez de Cuellar's Union for Peru has played the card of consistent and pluralistic ecumenism, incorporating representatives of all the factions. This is the 'rainbow' announced by JPC. The progovernment press, apparently still fully involved in a cold war, wanted to see a leftist domination of the UPP, which simply does not exist, for the sole reason that this would suit its purposes. The truth is that this charge is as absurd as to attempt to label the party 'evangelical' because ten or so of its members are of that persuasion. What Javier Perez de Cuellar is saying to the country by means of this slate is the same thing he has been saying since his arrival—that Peruvians of goodwill from the most varied sectors can agree on an objective—like the PAP [Arista Party of Peru] and the IU [United Left]. And in any case, it is regarded as rather late for a large part of the citizenry that is seemingly waiting for something like a 'test period' before reasserting their confidence. But they are there, with every nuance, constituting an opposition bloc that is also demanding that the regime be changed. Then comes a third bloc, organized around independent leaders. This is the case with the CODE [Democratic Convergence]-Possible Country developed by Alejandro Toledo and Jose Borba, Rafael Rey's progovernment Renewal, Fernando Olivera's FIM [Independent Front for Moralization], and also Ricardo Belmont's Works Movement. The fourth and last category would include the remaining thirteen slates, which traditionally bring up the rear in each election. There could still be a surprise here in connection with the slate headed by Mrs. Susana Higuchi, whose popularity could perhaps assure her of the seat she is seeking. There is one last comment that remains to be made today. This is the first time the country seems to be proceeding toward an election in which ideological differences are not in the forefront,

and in which the dialectics of the government versus the opposition seems more important. This is yet another indication of the obvious obsolescence of the McCarthyism evidenced by some progovernment periodicals, which, just as they have fabricated a fanciful 'consensus' about the economic model embodied by the Fujimori government, are now trying to launch a witch-hunt in their zeal to promote the candidate they favor. Of course, this does not mean that suddenly, and by some magic, the distance between the right wing and the left in this country has vanished. But it does mean that a considerable number of the citizens of Peru desirous of putting an end to this autocratic and dictatorial regime have decided to set the two extremes aside in search of what is really important—obtaining a change, via democratic means, in a government that is clinging tooth and nail to power and is ready to do anything necessary to avoid losing it."

'Disappointing'

Fernando Rospigliosi (CARETAS No. 1345 1 Jan 95) said that "the rumors reported by EXI' RESO as facts, to the effect that Juan Carlos Hurtado Miller and Carlos Bolona will be included on the government slate proved, of course, to be false. Hurtado and Bolona are capable individuals with their own personalities and ideas—characteristics that automatically exclude them from the Change 90-New Majority formula. The government has not been able to find a single relatively independent and prestigious personality willing to be included on its electoral ticket. The fact that it is headed by Martha Chavez confirms the fact that the trait Alberto Fujimori values most is obedience. Because the only virtue that this member of Congress has revealed in these years is her 100-percent defense of everything her leader has said and done. Including, of course, his effective concealment of the corruption and human rights violations during the present regime. The slate including Chavez, Torres y Torres Lara, Siura, and Freundt is, then, more of the same thing we have seen in the past two years. Within the parties, the problems are different. The most serious ones are doubtless those are within the APRA [American Popular Revolutionary Alliance], which held democratic elections in order to nominate its candidates, but in the end it was the top leadership, as always, that decided who would go and who would stay, and in what position. The same thing that occurred, let it be said in passing, with the PPC [Popular Christian Party] and the United Left (IU). To reach this same point, it would have been better to avoid recourse to the farce of elections to create expectations that are not subsequently going to be respected. The PPC has lapsed into a defeatism that will probably drag it even farther down. A number of its best-known leaders take it for granted that Fujimori will win and that what is needed is a balance of power with the representatives of the PPC in the Congress. Based on these arguments, they will compete with Renewal for the votes of the bolder young Fujimori supporters. Where the slates of the independents are concerned, the lack of capacity is notorious. The UPP has succeeded in

bringing together an interesting range of personalities with abilities and experience in their fields of action, including some outstanding young people like Pedro Planas. However, the electoral weight of this slate still remains to be seen. In short, there is a disappointing panorama that heralds a future Congress that may possibly be worse than the present CCD [Democratic Constituent Congress], which has been one of the worst parliaments of the century."

UPP 'Mosaic'

Patricio Ricketts expressed the view that "for almost all of the slates, internal consistency is the main distinctive characteristic. The exception is Perez de Cuellar's 'mosaic.' The 120 individuals on his slate have nothing in common. We can be certain that they do not agree either on the generic plans nor on the specific proposals of the Union for Peru government, since as of this date, that party does not yet have either one. Nor have the candidates come closer to one another in a search for common denominators. Their only bond is their thirst for power. Thus what the mosaic represents is not very promising. Here there is no prior design or any image resulting from bringing the pieces together. What can be seen is the presence of contradictory positions, that is to say opposing poles that create a short circuit. What we can be sure of is that the formula is filled with conflicts and instability. It guarantees misgovernment." (EXPRESO 11 Jan 95)

'Noah's Ark'

The weekly CARETAS (No. 1345, 12 Jan 95) reported the following: "It is no accident that the government and its spokesmen reacted scoffingly to the slate of Javier Perez de Cuellar's Union for Peru. There were references to a kind of stew, a tutti-frutti, a Noah's ark. But it must be agreed that if JPC's government was parliamentary in nature, his slate provides him with a number of very acceptable offices, something that is not the case with the other slates. If viewed with an objective eye, this is a surprising slate because of the number of leading personalities it includes, and certainly, there is something almost culinary going on within it. It does indeed resemble a stew in which the components representative an abundance of sources, giving it a complex flavor and an unexpected range of choices. But isn't this perhaps what is needed in an era in which consensus and concertation should be the guiding principle? The goal sought by JPC was without a doubt to present himself as an agent of concertation, and his parliamentary slate has achieved this. There is a little of everything in terms of age, inclination, professional, and calling. The UPP is not an organic entity, and it has clear organizational shortcomings. It is now 'vox populi.' But the UPP slate is a singular instance of breadth that may prove to be an important factor in its beginning to gain points in the surveys."

'Trojan Horse'

EXPRESO (12 Jan 95) carried the following statement: "Javier Perez de Cuellar's electoral venture will have

served as a Trojan horse for a large number of left-wing politicians, in a proportion that does not correspond with the electoral reality. This is regrettable, above all in view of the fact that many of them are still not acknowledging the nation's advances, and they are not convinced of the virtues of the market, much less the need to make the reform deeper and broader. Naturally, the effect of this is that many individuals who planned to vote for Javier Perez de Cuellar's slate now will not do so. Some will not even vote for the ambassador himself, so that he will lose even more votes than the polls had already shown. As a result, to the number of those voting for President Fujimori, but not for his slate, will be added those who will no longer vote for Perez de Cuellar, or who do vote for him but not for his slate. All of this could come to some 20 points to be distributed. Who will be the beneficiaries of this situation? The PPC slate, headed by Lourdes Flores, who has relied from the beginning on making capital of the cross vote; the Renewal slate, headed by Rafael Rey; and the FIM slate, headed by Fernando Olivera. There is no opposition to the economic reform in any of these three groups. This is the profile Perez de Cuellar should have developed. He has not wanted to do that. He may have lost out because of his prejudices about what would happen in the country, and due to his formative years in Peru when socialism was in fashion."

'Dangerous' New Congress

Manuel D'Ornellas (EXPRESO 14 Jan 95) said that "since 1956, each parliament has been worse than the preceding one in the opinion of those with good memories, a group that includes this columnist. And there is no indication that this trend will reverse itself after this coming 28 July. The government has not succeeded in bringing in real 'heavyweights' such as its former ministers Hurtado Miller and Bolona. They could indeed have raised the level of the parliamentary debate to unexpected heights. In Perez de Cuellar's UPP, there is indeed no shortage of topflight individuals. Having General Cisneros, the lawyer Avendano, and the banker Pardo Mesones among his associates is without a doubt a veritable luxury. The problem is that they are hardly likely to win seats, because in our country the preferential vote is usually employed with skill by the leftists to their own benefit. Whether Perez de Cuellar wins or loses, the legislative future is already sown with Marxist mines. This group of leftists in the UPP will immediately establish a tactical alliance with the few IU candidates winning congressional seats, who will be led or surrounded by the few candidates of the APRA. And they will include—what a paradox!—the former Velasco supporters Alberto Ruiz-Eldredge and Alfonso Benavides Correa. And all of them together in the parliament will undertake the great campaign against the economic reforms of the current government. If the independent citizens do not react in time and vote for the best on the lesser slates, who might become reliable allies of a pro-Fujimori bench, weakened, but programmatically

consistent. If this does not happen, the next Congress will in fact be worse than those that preceded it. And much more dangerous."

'Communist Presence'

Patricio Ricketts (EXPRESO 14 Jan 95) has said that "the strong communist presence on Dr. Javier Perez de Cuellar's parliamentary slate recalls the successful political debut of the PC [Communist Party] in the fraudulent elections of 1939, which put Dr. Manuel Prado y Ugarteche, imposed by the dictator Oscar Benavides, in power. For those who are prepared for give-and-take, there will always be interested communists to be found. To the extent that they will turn their backs on their own party, as did Teodoro Hernandez, of the CGTP [General Confederation of Peruvian Workers], who when faced with the possibility of obtaining a congressional seat, preferred P. de C. [Perez de Cuellar] to the PCP [Peruvian Communist Party]. Be that as it may, it is a long way from the Peru of 1939 to the Peru of 1995 is great. Just as the distance between Prado and Perez de Cuellar is great. In this era, it will be much more difficult to mistake a communist cat for a democratic hare. Everyone in Peru has learned to tell the difference—the hard way, but we learned."

'Inclusive Democracy'

Carlos Tapia (LA REPUBLIC 10 Jan 95) said that "for some time now, pressure has been exerted in the pages of EXPRESO to persuade the UPP not to incorporate the democrat socialists in its ranks. The purpose has been to isolate them and to prevent them from being included in the development of a political alternative that is democratic and is one of national concertation. An effort has been made to anathematize them in the most classic and traditional communist style. Without a doubt, the various types of pressure and arrangements make the positions supported in these same pages of EXPRESO during the battle undertaken against terrorism by the democratic socialists seem strange. In those days, prior to 5 April, the need for national unity without distinction as to the positions held was correctly urged with a view to ensuring the pacification of the country. Why is it that what was good enough to defeat terrorism is not good enough to achieve the development and well-being of the people of Peru? Why can we not reach agreement in order to build an efficient, just, modern, and stable democracy? On the other hand, these exclusive attitudes go against history. Chile has been governed by a political alliance that includes the socialists. In Brazil, the triumph of Fernando Henrique Cardoso was made possible by the convergence of the creator of the theory of dependence with sectors that were traditionally regarded as conservative. In Venezuela, Rafael Caldera was elected president as the representative of a political alliance including the Movement Toward Socialism. As can be appreciated, modern times are moving forward and leaving behind not only populism, but also old dogmas, new fundamentalisms, and authoritarian regimes. Modern democracy is inclusive, not exclusive."

Transparency Discussed

'Fujimori Does Not Have Too Many Votes'

Mirko Lauer (LA REPUBLICA 3 Jan 95) has said that "the very fact that military officers, prefects, governors, and others on the government payroll are playing the role of political bosses is the best proof that Fujimori does not think that he is going to win whatever the case. His chance of losing is real, and he knows this. Therefore the slogan is to transform a free election into a repressive operation against the people. And so Fujimori does not have any excess of votes. For this reason, the regime is developing a veritable network of operators ranging from local authorities, in uniform and out, up to individuals responsible for the technical aspects of the electoral process. With this we are passing from the era of the president-candidate stage to that of the state-candidate, just as in the finest days of the Berlin Wall. The association of the Armed Forces, the largest enterprises, the leading print media and a third of the voters with the political program of Fujimori does not seem to augur sufficient electoral calm. In the end, it will be necessary to recruit from the list of employees of the state on all levels. This is a strange kind of desperation for a regime that represents itself as so certain of its successes. We are witnessing, then, two electoral processes that are becoming increasingly differentiated. One is that of the opposition, which is developing like all the others before it, from one protest to the next, with implicit confidence that there will be a way to counteract fraud. The other is an electoral process of a new type that seems more like a ruse designed to reassure a part of international public opinion. We are proceeding rapidly from the 1992 coup d'etat against the Congress to the 1995 coup d'etat against the opposition voters."

'The Perverse Virtue of Fraud'

Mirko Lauer (LA REPUBLICA 6 Jan 95) commented that "fraud has the perverse virtue of rendering all the other electoral issues irrelevant. Put in another way, it makes no sense to participate in an election if there is no guarantee of an honest process, that is to say effective representation. If elections are not honest, then, their only effect would be to legitimize those who have manipulated them, as has been happening to date. The government is making some effort to clean up the appearance of its electoral methods. It is announcing its good intentions, penalizing the most indiscreet government employees, and denying the most flagrant charges. But this is nothing more than pure disinformation, because instances of improper conduct by its operatives continue to sprout from beneath the rocks. The leading opposition candidates have begun to give serious consideration to the possibility of withdrawing from an election that is looking increasingly like a pitfall. These withdrawals may occur when it becomes obvious that participating or not participating will produce the same results, and will, in addition, legitimize a situation that cannot be described as democratic. None of these things will worry

the Fujimori supporters, since they are already experienced in justifying their manipulation of the Armed Forces and the rest of the state apparatus in order to maintain a semblance of democracy. Also, for them the path to be followed is the same with an election or without it."

UPP Free To Choose

On 30 December, it was reported that the PPC was giving its entire membership total and unlimited freedom to vote for whomever they deemed desirable in the presidential election next April. Flores Nano explained that the decision was adopted in timely fashion by his party in the belief that the members of this group will know how to act in the most responsible way when the time comes to cast their votes in the general elections this coming April. (EXPRESO 30 Dec 94)

Commenting on this, Mirko Lauer (LA REPUBLICA 31 Dec 94) said that "by leaving its members free to cast their presidential ballots as they wish, the PPC has allowed ambiguity to develop about its position as a party. This could even lead to a split, or at the least, to further disagreements. It should be noted that the message given to the members gave them absolute freedom, without even the slightest formal recommendation that their votes should be cast for an opposition candidate. As a result, the idea of a PPC vote for Javier Perez de Cuellar is in suspense, for the time being, with the door left open for the transfer of that vote to the candidacy of Alberto Fujimori. The leader Alexander Kouri has revealed that he will vote for Fujimori, creating the possibility of a schizophrenic parliamentary campaign, straddling the government and the opposition. If the parliamentary candidates of the PPC are going to double as propagandists for the various presidential candidates, this will provide an unprecedented spectacle in Peruvian politics and will foretell an intensive ideological debate in this party. This discussion will immediately be transferred to the future parliamentary bench of the PPC, already threatened with mitosis. This is rumored to be the first party to propose throwing all its weight behind the candidacy of Perez de Cuellar. It is probable that the withdrawal of Flores, the taking of public sides for and against Fujimori, and the prospect of few seats available will in the end separate a new contingent of individuals from the PPC, as happened when the decision to participate in the CCD was made in 1992."

APRA in 'Crisis'

On 9 January, just a few hours after the registration of its slate of congressional candidates with the National Election Board, 18 of the 32 members of the National Executive Committee (CEN) of the Aprista Party are reported to have submitted a document challenging the slate and urging the withdrawal of the candidacies of Jorge del Castillo, Cesar Zumaeta and Javier Tantalean Arbulu. The document, which was submitted to the CEN itself, reminded that highest body that the party had

appointed a Revision Commission with the responsibility for proposing candidates for subsequent approval. However, the document said, this was not done. It noted that the body established for the purpose of revision, made up of nine members of the CEN, improperly included the three members mentioned. For this reason it urged the convocation of a plenary session to order their removal from the slate. Two of the new members of the revising body (Del Castillo and Zumaeta), who are said to have lobbied in favor of their inclusion, were directly challenged in the document, while the nomination of Tantalean was rejected because of his problems with the courts (electric train case). Another of the internal challenges pertains to Secretary-General Agustin Mantilla, who on taking office last year announced that he would not participate in any election. This is believed to be the most critical point reached in the internal crisis in that party, which became more acute with the submission of a list that in the opinion of acknowledged Aprista leaders was "manifestly drafted on the instructions of former president Alan Garcia Perez from Colombia." (Most dailies 11 Jan 95)

CODE - 'National Identity'

On 3 January, during the inauguration of the headquarters of the CODE-Possible Country in the business section of Gamarra, in the district of La Victoria, Alejandro Toledo, the presidential candidate of that movement, stated that "whatever happens," one of the cornerstones of his presidential campaign will be the "national identity" issue, since the support of his candidacy derives mainly from racial identification, and not the content of his plan for government. Speaking of the racial aspect, he emphasized that he has found in the Peruvian people a very sensitive latent issue. "I believe that there is a yearning in the country, and I am convinced that we have touched a very sensitive nerve," he said. The attitude of the leaders of the alliance in question is consistent with this position. This was reflected in the speech by a member of the leadership who preceded Toledo as a speaker during the inauguration of the premises in Gamarra. That leader stated that "we are tired of the gringos, of the Chinese, and for this reason we mestizos will now gain access to the presidential seat." (Most dailies 4 Jan 95) [passage omitted]

JPC's 'Legitimizing' Effect

Manuel D'Ornellas (EXPRESO 7 Jan 95) has said that "there will be weeping and gnashing of teeth in the government ranks if Perez de Cuellar overturns the electoral chessboard by withdrawing. Because his presence, with the international weight he has personally, legitimizes the process as such and whoever emerges from it the winner. And also because Perez de Cuellar's candidacy prevents the launching of others that might perhaps exert a greater attraction for the people if the ambassador were not a participant in the campaign—for example, the candidacies of Belmont and Toledo. Thus many people are praying that the UPP will stay in the

process to the end, but there are also many who are sending up supplications for the withdrawal of Perez de Cuellar."

Weekly Says Law 'Favors' Fujimori

The weekly CARETAS (No. 1345, 12 Jan 95) noted that "Alberto Fujimori promulgated the law that favors him with unprecedented speed, just minutes after his bench approved it in the Congress. And on the following day, Friday, the sixth, it was published in the official gazette. The National Election Board also reacted rapidly, and during a three-hour session that same day, it approved a forceful statement. The central point of the JNE pronouncement was that the law approved by the Congress 'does not make it possible to establish and impose penalties for the violations that occur during the electoral process with proper efficiency.' The day after that, Alberto Fujimori responded to this highest electoral body during the inauguration of a highway project in Canete. 'Let them not come to me with problems,' was his erudite answer, while at the same time terming the proposal of the Board 'preposterous.' In reality, the JNE made a comparative study of electoral legislation, focusing in particular on the U.S. and French norms, and it took this study as its basis for making a proposal designed solely, in the words of the body's president, Ricardo Nugent, to 'establish equal conditions' for the candidates for the presidency. The prohibition against inaugurating projects for a three-month period was a part of this attempt to put all of the candidates on an equal footing. Because it is obvious at this stage that the inauguration of projects is a key element in the reelection strategy of Fujimori. Each such event attended by the candidate—and he is now speaking at several each day, in various places in the country—constitutes a political gathering with a captive audience. As he attends in his capacity as president, the resources of the state are paying for his travels, and it is government employees, both civilian and military, who are responsible for arranging the events and, if necessary, mobilizing the people. This, in other words, is a new version of the old policy of the millions, the bullies, and the gluttons. No other candidate has an opportunity like this. Therefore, the JNE proposal was not 'preposterous.' The fact that Fujimori blocked its approval is evidence that not everyone supports him and that he wants to guarantee himself every possible advantage with a view to reelection. The dubious and mistrustful attitude of some of the candidates and parties toward the JNE and the lack of definite support of the Board's proposal are not helping to clarify the true dimensions of this new and scandalous maneuver to promote the reelection of the president. In addition, the government postponed the date for the approval of the law until 5 January. Its purpose was to put it as close as possible to the presentation of the slates and thus to increase the likelihood that it will be overshadowed by the announcement of the congressional candidates—a purpose that it seems has indeed been achieved."

Columnist Endorses Photo Ballots

Manuel D'Ornellas (EXPRESO 6 Jan 95) said that "the inclusion of photographs of the presidential candidates on the ballots is a logical and rational thing in a country in which illiterates vote. But the moment for inaugurating this novelty was an unavoidable one, and the president, instead of adhering to the proposal, promulgated the measure at a later date. It was published yesterday—it never rains but it pours, this time on soil already rendered slippery by the previous violations and excesses. The temptation to charge that there has been electoral fraud is as old as the history of democratic elections in Peru. For as long as we have freedom of the press in the country and the international climate prevents this from changing, fraud is not possible here, either in the counting or the manipulation of the votes. The photograph issue is an excellent example. It was an untimely proposal, but in the end, it is not really known who will benefit. Perhaps the face of Perez de Cuellar is as well-known as that of Fujimori has been since 1982, when he became secretary general of the United Nations, so that we Peruvians have been seeing him on television for 10 consecutive years. And the face of Ricardo Belmont, the mayor of Lima, is known to everyone, even in the most remote mountain village. It is understandable that the only candidate who really suffered from having photographs on the ballots was Alejandro Toledo."

Economic Developments Discussed

95SM0165C (Internet) DESCO Gopher in Spanish 19 Jan 95

[From Resumen Semanal]

[FBIS Translated Text]

26.7 Percent in Lima on Welfare

On 4 January, Felix Murillo Alfaro, the head of the National Institute of Statistics and Information Science, released the results of the "1994 National Survey of Municipalities. Metropolitan Lima Results," reporting that as a result of the serious economic crisis, more than a fourth of the people living in the capital are surviving thanks to the benefits of social organizations, including the glass-of-milk committees, the people's dining rooms, and the mothers' clubs. He said that more than 1.7 million Lima residents (26.7 percent) are receiving benefits from the social organizations under the jurisdiction of the municipalities. [passage omitted]

'Fragile' Prosperity

In an interview with EL COMERCIO (31 Dec 94), Congressman Manuel Moreyra (SODE [Solidarity and Democracy]) said the following: "Currently, of the net international reserves of \$5.7 billion, only \$1.1 billion belong to the Central Bank. The difference in these sums is basically accounted for by cash reserves deposited in private banks. As a result, if this financing were to cease, the deficit, which at this time comes to about three

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billion, would become obvious. In other words, we find ourselves in a situation that needs to be corrected. In the 1969 Chilean crisis, as in the 1982 Mexican crisis and the 1983 Peruvian crisis, the international bank forced these countries and the public sector to assume the private debt as a precondition for the refinancing of the public debt, as happened in the 'Mantaro and Pachites' case. Now, in the case of Peru, based on the lesson of those days, the same phenomenon is occurring again. The international banks are forcing the public sector to take on the private debt, as is the case with the People's Bank. The lesson is that it is not so certain that there is a definitive division between what happens with the private debt and the public debt. The argument is that if it is not paid, it is lost. This is valid for weak creditors, since if they cannot collect, the depositors in the Agrarian Bank, Industrial Bank, Mining Bank, and others cannot collect. But when the creditor is very strong, the debtor is forced to pay in one way or another, under threat of reprisals, or, for example, refusal to renegotiate other portions of the debt. It is simply that we are in a situation in which we have not obtained our own income. We are living off debt. And, in the end, this debt must be paid. The Mexican situation might be an example of what we might experience in time if we do not make the corrections needed in the foreign sector."

Uruguay

Argentine Lack of Clarity Over Dredging Causes 'Annoyance'

PY0902014195 Montevideo EL OBSERVADOR
ECONOMICO in Spanish 1 Feb 95 p 4

[FBIS Translated Text] Diplomatic sources have emphasized to EL OBSERVADOR ECONOMICO that the Argentine Government's lack of a clear decision on meeting the deadlines to award the work for dredging the Martin Garcia channel has caused "concern and annoyance" in the Uruguayan Government.

The sources noted that if the River Plate Administrative Commission (CARP) again does not comply with this procedure by the end of the week, it might have negative repercussions in the bilateral relations between Uruguay and Argentina.

The CARP will meet on 2 and 3 February to award the bid on the Martin Garcia channel work.

The sources indicated that there are disparate stances within the Argentine Government, where the Navigable Ways Undersecretariat is reluctant to pursue work on the Martin Garcia channel, and supports pursuing work on the Mitre channel involving a \$40 million subsidy for 10 years.

The Argentine Foreign Ministry admits that it has a duty to comply with the notes signed by the two governments, and recognizes the political decision made by President

Luis Alberto Lacalle and President Carlos Menem to implement work on the channel's dredging, maintenance, and buoy marking.

Lacalle Justifies Armed Forces Struggle Against Terrorism

PY0702195495 Montevideo EL OBSERVADOR
ECONOMICO in Spanish 26 Jan 95 p 4

[FBIS Translated Text] On 25 January, President Luis Alberto Lacalle asserted that "there is no going back" on the restructuring that the Armed Forces are undergoing by order of the executive branch. He reiterated that such a restructuring does not modify "in the least the values represented by the Armed Forces," such as "support for institutions" and "defense of the Constitution." He moreover justified the Armed Forces' participation in the struggle "against domestic and international terrorism."

Accompanied by Defense Minister Daniel Hugo Martins and Army Commander in Chief Daniel Garcia, Lacalle presided over a ceremony yesterday to pay tribute to the Uruguayan 2d Battalion, which has been participating in the UN peacekeeping forces in Mozambique since April 1993.

In the last speech Lacalle delivered to the military in his capacity as president, he took stock of his activities as Armed Forces commander in chief.

The head of state extolled the Uruguayan 1st and 2d Battalions for the work accomplished in Cambodia.

He contended that the streamlining of the Armed Forces ordered by the executive branch does not modify "in the least the perennial values that the Armed Forces stand for in our society." "On the contrary," it is synonymous with "a rethinking, a critical analysis of the role of the Armed Forces in and outside Uruguay and in the new circumstances facing our country."

The president further stated that "needless to say, we continue to reassert the fundamental role of the Armed Forces in a system such as ours, to buttress our institutions and defend the Constitution."

He also justified "the struggle against national or international terrorism, as it is aggression that our country has already experienced, and therefore it must be one of the things the country must be most on guard about, or considered among the possibilities as something that could happen again."

Lacalle underscored the executive branch's concern about organizing peacekeeping missions, noting that "we have established a national system for peacekeeping operations because we deem it right that our country should continue providing support for these missions which, with the regrettable mushrooming of regional territorial conflicts, will continue to be necessary throughout the world."

The president considered "there is no going back" in the process of reorganization, streamlining, and reformulation of the role of the Armed Forces, initiated under his administration with the advice of the top echelons of the Armed Forces, which he estimated will take "many years" to complete.

The head of state added that the overhauling of the Armed Forces was undertaken "following traditional basic concepts, namely superior command by the political power elected by the people and a chain of command—something essential for a hierarchical organization and for defining objectives with clarity—which is the duty a superior has in relation to his subordinate."

He subsequently made a review of the achievements made under his tenure with regard to the Armed Forces.

Lacalle mentioned the agreements with Spain, Germany, and the PRC, which "have enabled us to incorporate materiel that will help the Armed Forces better discharge their duties."

He emphasized the purchase of armored vehicles which, "numbering about 60, will maintain the necessary combat level for our country in the respective units."

Progressive Encounter Submits Proposals

PY0702223095 Montevideo BUSQUEDA in Spanish 26 Jan 95 p 30

["Text" of document entitled "A Proposal for Dialogue" submitted by Tabare Vazquez, president of Progressive Encounter, to President-elect Julio Maria Sanguinetti on 19 January]

[FBIS Translated Text] Progressive Encounter reiterates its commitment to working for the common welfare of all Uruguayans, no matter what their political leaning or social position.

Facing the commitment of representing the over 600,000 votes polled in the recent elections, and at the same time facing a national political map that basically contains three political forces that each achieved the same level of approval—one-third of the votes—we believe that none of these parties and none of the country's political forces can refuse to participate in the task of building a better Uruguay, fully assuming the responsibilities and the rights that this means.

Within this political reality, Progressive Encounter believes that it is pertinent to submit the two following proposals:

1. A positive relationship, and not a discriminatory one, between the national government and the departmental government of Montevideo, which will allow the population of this department to quickly obtain the answers to their problems, concerns, and aspirations.
2. Progressive Encounter's right to participate in the state's controlling organizations.

Within this context, Progressive Encounter understands that it is at the beginning of a dialogue that substantially contains programmatic aspects that have the one and very important objective of looking after the welfare of the Uruguayan people.

On the basis of what has been stated above, Progressive Encounter proposes to undertake the following topics on a priority basis, taking into account the global and particular aspects that have to unavoidably be considered due to what each of them implies.

1. Economic Policy

The documents on economic policy must point to the following objectives:

Sustainable and continuous growth.

An equal distribution of wealth.

Both of the above are to be achieved with macroeconomic stability.

A productive country must be shaped through overall policies that will be applied to productive systems to be developed through sectorial and selective policies. The following of these measures will be given top priority:

The development of adequate credit policies for small and medium sized producers and industrialists, specially through the recovery of the Bank of the Republic of Uruguay [BROU] as a development bank (BROU reserve policy).

The encouragement of a land policy that will promote the modification of the current agrarian structure. This implies the coordination of the actions of the National Colonization Institute [INC] and granting it sufficient resources from the BROU and other institutions that are dedicated to research and development. In this respect it is considered necessary that the portfolio of land debtors of the BCU [Uruguayan Central Bank]/BROU be transferred to the INC. The extensive unproductive holdings will be evaluated, and those belonging to non-resident foreigners will be evaluated in the first place.

From the viewpoint of the guidelines of strategy, the state cannot in an overall way defend inefficient enterprises. Instead it can and must promote efficiency, through:

- the development of training programs for workers using some incipient public institutions such as the National Employment Board, in coordination with private programs.
- the encouragement of investment that will permit the updating of technology through the use of subsidies that include the sharing of risks, which must not be assumed exclusively by the state.
- the support of enterprises to improve the quality of products and processing methods using such efficient structures as the LATU [Technological Laboratory of Uruguay].

- the promotion and continuing support of national enterprises through adequate technical assistance, in order to seek association with other enterprises of the region and increase competitiveness with the rest of the world for mutual benefit.
- the promotion of the capitals market, to open up greater alternatives for the financing of productive projects with public supervision of their financing, in addition to offering guarantees to small investors.

The existence of matching funds provided by the private sector that will produce quantifiable benefits for society must be the overall criterion of public support for the industrial sector.

2. Social Policies

2.1. Educational Reform

The educational system will follow guidelines of national identity and autonomy. The state will encourage a broad and deep reform that will include the system's rationalization and reorganization, program flexibility, and a fluid interaction between the productive world and society as a whole. The state will develop a decentralization plan seeking the broadest possible consensus, and particularly the support of groups directly affected by the plan.

Such an educational reform must be based on an analysis of education's character and the way to implement it.

In order to answer questions about the kind of reform we want, Progressive Encounter proposes the active participation of all social agents linked to the educational process. In this way it will be possible to define the productive citizen the country needs to face the challenges of the technological revolution as well as our regional integration process.

In order to implement such reforms, Progressive Encounter thinks it is important, among other things, to incorporate the best experts, whatever their political affiliation, to the boards directing the various teaching departments.

Progressive Encounter proposes raising the importance of teaching work through:

- teachers' integration into directing organizations;
- salary increases to dignified levels;
- career reorganization;
- the creation of mechanisms for permanent training.

2.2. Fight Against Poverty

The emergency situation facing large groups of the population requires the development of economic policies as well as specific social policies.

Progressive Encounter thinks it is a priority to define and implement policies directed at alleviating the situation of extremely poor groups (structural poverty), emphasizing the situations of mothers with young children, children, and adolescents. These policies should put together education, health, and social security actions together with policies aimed at creating jobs and initiating a process of salary recovery, improvement in working conditions, and job security.

The previous items should imply, during a first stage, the instrumentation of an emergency plan for the poorest sectors.

2.3. Public Health

In order to guarantee effective health coverage for the entire public, Progressive Encounter proposes:

- to reestablish the Public Health Ministry's directing role;
- to reestablish technical careers;
- to balance and coordinate Public Health Ministry assistance with the work of collective medical assistance institutions;
- to give priority to policies dealing with preventive and educational medicine over mere assistance medicine;
- to finance the system based on criteria of tax justice.

2.4. Housing

The reestablishment of housing's legal base, returning to the contents of the 1968 Housing Law and adding what experience indicates is necessary, cannot be postponed.

In this context it is necessary to give priority to the implementation of low-cost housing programs to urgently reach marginalized groups, taking into account in particular the eradication of urban and rural shantytowns.

2.5. Labor Relations and Salary Policies

It is indispensable to promote a dialogue between the various social groups in order to reach productive and wealth distribution agreements, protect workers' basic interests, and prevent distortions from affecting the objectives of economic transformation already pointed out.

The recovery of the poorest groups' salary purchasing power also cannot be postponed, using as a reference cost of living increases.

In the future the national minimum salary must be adjusted by the inflation rate.

The state must necessarily participate in salary negotiations, either by promoting the approval by Congress of an adequate legal framework for collective negotiations,

by summoning the Salary Council, or by extending the effects of collective agreements to the entire public administration.

2.6. Public Security

Progressive Encounter believes that this issue should be addressed in all its complexity. Public security encompasses measures geared to combating poverty, protecting and developing the perspectives and quality of life of children, teenagers, and youngsters, and enhancing culture in its widest sense.

Within this context, it is necessary to reformulate the professional regulations of the police as well as giving their duties dignity both as regards wage issues and in their ongoing training.

3. Social Security

Uruguay must undertake a Social Security reform, which is something that concerns the whole of society. Hence all sectors, whether workers, employers, pensioners, or all the political spectrum—must participate in the formulation of proposals for such a reform, trying to reach a national consensus.

Progressive Encounter believes that the Social Security reform must be based on two basic principles, namely solidarity between different generations, and the fact that Social Security must be run by the state.

The following objectives must be pursued: efficiency, openness, and the streamlining of the BPS [Social Security Banks]; and the decentralization and autonomy of benefits granted to the working population (family allowances, unemployment benefits, health care), which will be jointly administered by the government, management, and employees so as to ensure full compliance with payment of contributions by all those enrolled in the system.

Progressive Encounter underlines these particular aspects:

- earmarking BPS monthly revenues derived from the collection of taxes on retirement allowances for building houses for those pensioners who collect less than two minimum wages (Acts No. 15900, 16237, and 16464). The money will be deposited at the Uruguayan Mortgage Bank and managed by a commission on which pensioners will be represented.
- guaranteeing effective, decent, and true health coverage for all pensioners.

4. Environmental Policy

In the discharge of its regulatory duties, the state must establish the appropriate framework so that economic activities and social endeavors can be pursued by incorporating environmental considerations into the social

cost of the said undertakings. The government should also implement a rigorous control system to ensure compliance with the rules.

Environmental policy must be based on active participation by the people and on the central role played by education and re-education to bring about a change in behavior.

Progressive Encounter intends to maintain Uruguay as a nuclear-free nation.

5. State Reform and Decentralization

Progressive Encounter reaffirms its commitment to promoting the democratization, decentralization, openness, and efficiency of the state organization and administration, as well as its ability to play the dynamic role changes demand.

The state reform, both in what pertains to its guidance and control duties and to its direct intervention in the economic process, constitutes the necessary complement to the role the state must play in the social transformation of the country. The state will have a dynamic participation in economic endeavors by keeping control of strategic sectors and by participating permanently or circumstantially in other sectors, according to the degree of development of the said sectors.

We think that it is impossible to undertake a genuine state reform in Uruguay without a concomitant reform of local governments. To that effect, we reaffirm our commitment to promoting a global decentralization and deconcentration process that will be instrumental in reversing anachronistic tendencies toward centralization in political, economic, and administrative matters.

We must dignify and make professional the civil service, so that public positions can regain their prestige. To that effect a system of competitive exams should be instituted for hiring and promotions, administrative procedures should be overhauled, and the post of ombudsman should be created.

With regard to the constitutional reform, Progressive Encounter proposes convening a Constituent Assembly, as it deems this is the most appropriate mechanism for effecting such reform.

Concerning the electoral reform, and without prejudice to other important aspects of the said reform, Progressive Encounter believes that Uruguayans residing abroad should be able to exercise their right to vote through the Uruguayan consulates located in the countries in which they reside.

6. Democratization of Information

Progressive Encounter deems it necessary to establish a legal framework guaranteeing the right to pluralism in information as well as press freedom, with all the rights and duties that this presupposes in all cases and for all social strata.

By submitting the present document, Progressive Encounter publicly assumes the responsibility of participating—if deemed appropriate—in mixed technical committees to further analyze aspects pertaining to necessary political agreements for the country, its democratic system, and its people.

[dated] Montevideo, January 1995

Venezuela

Finance Minister, President Discuss Banking Situation

PA0602163595 Caracas EL GLOBO in Spanish 2 Feb 95 p 2

[Report on interview with Venezuelan Finance Minister Julio Sosa by unidentified reporter; place and date not given—first seven paragraphs are EL GLOBO introduction]

[FBIS Translated Text] Finance Minister Julio Sosa Rodriguez, upon his return from Davos, Switzerland, where he attended a world economic forum, met with the president of the Republic at La Casona Presidential Residence.

Julio Sosa Rodriguez had to answer questions on the state's intervention at the Principal, Professional, and Italo-Venezolano Banks, which took place early the morning of 1 February.

Concerning the banks, which are facing financial problems, he said the Federal Bank is implementing the adjustment plan contained in the General Bank Law and added that the bank is operating perfectly well.

The Union Bank received the assistance of three private banks; it will be recapitalized and is also operating perfectly well, he said. The situation of the Italo-Venezolano and Principal Banks will be clearly explained in a communique that will be issued by the Emergency Finance Board [JEF] on 1 February.

These words have confirmed reports provided by Federal Bank shareholders, who announced on 31 January they would accelerate implementation of the adjustment plan contained in the General Bank Law, which should be completed within the next 180 days. This reason is why they will purchase assets and/or will increase the social capital of Inversiones Cremerca.

There are No Contradictions

Julio Sosa Rodriguez denied the existence of contradictions between what the government spokesmen have been saying about financial matters and the decisions being made in this field. The explanation was made following the statements by Deputy Finance Minister Luix Xavier Grisanti, who said on 31 January there

would be no state interference, even though the intervention of the Italo- Venezolano and Principal Banks was decided hours later.

Sosa implied he did not know about the statements made by Grisanti on 31 January when he said no interventions were planned.

[EL GLOBO] Why did this change occur?

[Sosa] There are no contradictions. I read some statements saying a communique would be issued containing information on what would be done with four institutions; that is, what I read in the newspaper when I arrived in Davos, Switzerland. I read that two institutions would be liquidated, that they would be turned over to the state, that another would receive assistance from three private banks and would remain open, and that a fourth one would be capitalized by its own shareholders.

Sosa also said depositors and the people in general must be aware of the information provided by the JEF through public communiques.

[Sosa] Over a week ago at the JEF, we approved that all the information concerning banking matters would be provided by JEF communiques due to the delicacy of the matter and that no credibility should be given to any other reports. This matter is a delicate one. It is like a woman's reputation.

Sosa said a positive thing is being observed in the process to strengthen banks, because "healthy private banks are cooperating with the government to put an end to the matter. The sooner an end to this situation is found and the sooner the calmness of the financial system is recovered, the sooner we will be able to make effective progress in the country's financial recovery, which is of great importance, for example, in the achievement of a balanced budget to put inflation under control and to attract foreign capital."

[EL GLOBO] In your trip to Switzerland, did you make contact to reprivatize banks?

[Sosa] No. I did not take specific steps, but, as you can see from statements made by the president of the Venezuelan Central Bank, we are thinking about reprivatizing as soon as possible.

[EL GLOBO] Which banks will be reprivatized first?

[Sosa] For what I have heard up until now, the Bank of Venezuela is the one that has made the most progress in this regard. There are international banks interested in participating in the financial sector as stipulated in the new law. It would be interesting, for example, to see an international bank of great prestige purchase, say, 40 percent of the stocks and become in charge of the management of the institution and the other 60 percent of the stocks sold to the Venezuelan public.

[EL GLOBO] Did you speak with the president of the Republic this morning?

[Sosa] No. [as published] We spoke about the trip, the budget, and I told him I saw the financial situation going back to normal at this time.

Operation of Nationalized Bank Companies Frozen

PA0802222895 Caracas EL NACIONAL in Spanish 4 Feb 95 pp E-1, E-2

[Report by Fabiola Sanchez]

[FBIS Translated Text] Financial operations by companies associated with the Italo Venezolano, Professional, and Principal Groups will remain frozen until the conclusion of audits being conducted by the banks in order to determine the exact legal and financial status of said companies.

With this measure, financial authorities hope to avoid situations similar to those of banks seized by the government, in which many associated companies benefitted from financial aid provided by the Deposit Guarantee and Banking Protection Fund to the detriment of clients.

This decision is part of a group of actions undertaken by the Emergency Finance Board (JEF) in order to proceed with the liquidation of banks and financial companies belonging to the Italo Venezolano, Professional, and Principal banks.

According to the JEF timetable, in the next four days all deposits by corporations and individuals will be transferred from companies belonging to the three financial groups.

The Italo Venezolano Professional Group's deposits total more than 60 billion bolivares. The majority of the group's clients are concentrated in the commercial banks and the Italo Venezolano-Professional Fund.

Financial authorities must transfer more than 50 billion bolivares in deposits from the Principal Group. The greatest number of depositors from this group come from the commercial banks and the Sociedad Financiera.

The three groups' total assets, representing more than 150 billion bolivares, will also be transferred to Banco Latino, Banco de Venezuela, and Banco Consolidado.

Among Italo Venezolano assets to be transferred are the bank's office buildings worth over 2.673 billion bolivares, real estate property worth 1.364 billion bolivares, other assets for 7.677 billion bolivares, a loan portfolio worth 11.743 billion bolivares, stock investments worth 9.27 billion bolivares, and state-guaranteed bonds worth 7.699 billion bolivares.

Included in the Professional's assets package awaiting transfer are the bank's office buildings, worth 633 million bolivares, real estate property worth 285 million

bolivares, assets totaling 2.008 billion bolivares, a loan portfolio worth 2.138 billion bolivares, stock investments worth 4.339 billion bolivares, and state-guaranteed bonds for 4.068 billion bolivares.

The Principal Group's assets portfolio totals approximately 30 billion bolivares. Official sources confirmed that the process of transferring the accounts of the Principal Group companies over to the Banco Consolidado will begin tomorrow.

Banco Latino and Banco de Venezuela will manage the deposits of the Italo Venezolano-Professional group companies. It was reported that a joint plan will be implemented in this case. Italo Venezolano branches will remain open in some towns in the country's interior. It is estimated that deposits totaling 160 billion bolivares will be transferred in this process.

In the transfer process the possibility of turning the network of Italo Venezolano branches over to the Banco Industrial de Venezuela is being considered. With respect to the process of recovering outstanding loans of the three nationalized groups, sources announced that the Latino, Venezuela, and Consolidado Banks must assume complete responsibility in recovering the entire portfolios.

New Finance Minister Explains Economic Plans

PA0902140795 Caracas Venezolana de Television Network in Spanish 1550 GMT 8 Feb 95

[From "The News" newscast]

[FBIS Translated Text] The change in the Finance Ministry gives a boost to the country's economic reactivation. After being sworn in as finance minister, Luis Raul Matos Azocar explained the first actions he will take.

[Begin Matos recording] I think it is important that we maintain and make some adjustments to the Economic Recovery and Stabilization Program [PERE] because many of the elements that were considered when the program was launched have been modified and because at no time was that program considered to be dogmatic or static. Instead, it is viewed as a guideline, subject to constant reviews and adjustments. [end recording]

Matos Azocar believes it is urgent that an overall framework to handle the economy be decided with the economic cabinet. He stressed that despite the reduction in the inflation rate, it is unacceptable that in January it reached 3.1 percent. He said the economic reorganization will begin with a specialized diagnosis of the financial crisis. He also said clear and firm steps must be taken for the recovery of banks.

[Begin Matos recording] The government must play a more active role in supporting the Central Bank regarding monetary policy and in reducing liquidity. [end recording]

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Guyana

Finance Minister Presents \$310 Million Budget

FL0802154295 Bridgetown CANA in English 2316
GMT 6 Feb 95

[FBIS Transcribed Text] Georgetown, Guyana, Feb. 6, CANA—The Cheddi Jagan administration, now in its mid-term after winning the historic 1992 general elections, Monday afternoon unveiled a Guy45 billion (U.S. 310 million) budget.

Finance Minister Asgar Ally presented the fiscal package, which was two billion dollars in excess of the 1994 budget, his third, to a packed parliament.

Ally, a former top official at the Jamaica Central Bank, said government intended to achieve a real Gross Domestic Product rate of 6.3 percent, maintain an inflation rate of nine percent and to stabilise the overall fiscal deficit of eight percent of GDP.

In addition, Minister Ally said the government intended to maintain the level of foreign reserves to U.S.269 million or six months of imports.

For 1994 Guyana achieved a GDP growth level of 8.5 percent and the inflation rate was 16.1 percent.

The 1995 budget projects a total revenue increase of 30.6 billion dollars and total expenditure to increase to 43 billion dollars. This would include debt servicing of 9.4 billion dollars in interest and five billion dollars in debt repayment.

Government also expects to collect 27.8 billion dollars in revenue which would represent a 17 percent increase in 1994 revenue collections.

The bulk of this revenue is expected to be garnered from the customs and excise department with receipts projected at 13.2 billion dollars coming mainly from import duties and consumption taxes, and from the inland revenue department which is expected to contribute 10.9 billion dollars to the national coffers, an increase of 16 percent over 1994.

Ally disclosed that government intends to spend more money this year on "poverty alleviation and maintenance" as a consequence placing emphasis on the social sector, particularly health and education. To this end, according to the budget, government will spend 13.6 billion dollars on these areas, an increase of some two billion dollars on 1994 current expenditure.

Wages and salaries expenditure is budgeted to increase by 31 percent or 1.1 billion dollars over the 1994 level of 4.6 billion. Wages and salaries of public servants will be increased by 16 percent. "We have budgeted for wage increases of 16 percent, equivalent to the rate of inflation for 1994." This will mean that the nation's public servants have seen an increase of 85 percent on their earnings since 1992.

In an effort to bring some measure of relief to the nation's hard pressed workers, the government proposes to increase the personal income threshold from 10,000 dollars to 12,000 dollars per month. In effect this means that 12,000 additional Guyanese workers will no longer have to pay personal income tax effective from January 1, 1995.

In other tax measures, government proposed an increase in the consumption tax on imported fruit and vegetables. This would be effective from February 12, 1995.

Also, government proposes putting a 10 percent consumption tax on overseas phone calls.

In an attempt to "further facilitate investment in the productive sectors" government reduced the consumption tax rate to zero on agriculture, mining, forestry and manufacturing machinery and equipment effective February 12, 1995.

The government will also spend 1.2 billion dollars over the next three years on a special poverty alleviation programme and spend more money in the health and education sectors.

Finance Minister Says U.S. 'Soft Loans' Sought

FL0802211195 Bridgetown CANA in English 1619
GMT 8 Feb 95

[FBIS Transcribed Text] Georgetown, Guyana, Feb 8, CANA - Guyana is looking to the United States to provide soft loans to ease a U.S.3 million dollar cut in the "PL-480" food aid programme with Guyana, Finance Minister Asgar Ally has said.

Briefing reporters on aspects of the 1995 national budget presented in parliament on Monday, Ally said the U.S. cut from U.S.6 million to U.S.3 million dollars had created a Guy.420 million dollar gap in the country's budget.

Under an arrangement with the U.S., Guyana was able to get GD200 million (one Guyana dollar; .007 U.S. cents) in funds diverted from other U.S. programmes, trimming the original Guy.420 million dollar shortfall in the budget.

Ally said the government was working with the U.S. State Department in Washington and the U.S. Embassy here to drum up support for the Guyana aid programme.

The finance minister was, however, not very optimistic about government's chances of gaining more resources from that quarter.

"I think that for 1995, the chances of getting additional resources to what we have are not very good," he told reporters.

Noting the U.S. budget now before Congress has a proposal to restore Guyana's PL-480 programme to U.S.6 million, Ally said government will try to adjust its resource allocation to fill the gap in the budget.

Initially, Guyana received supplies of wheat under the U.S. Title One Programme which has built in an agreement for payment in 40 years with a 10 year grace period.

However, after the 1992 general elections, this arrangement was altered by the U.S. government to a U.S.6 million dollar annual grant over two years.

This agreement was good until last year, but this year due to U.S. fiscal cuts, Washington announced that it would prune the PL-480 package to Guyana.

Guyana imports U.S.6 million dollars worth of wheat each year. The government contributes U.S.3 million dollars to this amount.

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